M E M O R A N D U M

METRO

DATE: September 10, 1999

TO: File

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

RE: Rate Review Committee Materials Distribution List

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
Dennis Strachota, Strategic Policy Analyst, 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

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A G E N D A

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METRO

MEETING: RATE REVIEW COMMITTEE
DATE: September 15, 1999
DAY: Wednesday
TIME: 5:30 PM
PLACE: Metro Headquarters, Room 270

APR. TIME		PRESENTER
5:30 PM	**CALL TO ORDER AND ROLL CALL**	Washington
5:30 PM (5 min.)	1. **Approval of Minutes from August 4, 1999 Meeting**	Washington
5:35 PM (40 min)	2. **Rate Stabilization** *Background* *Current Structure* *Comments will be solicited*	Linson/Staff
6:15 PM (40 min)	3. **Contract Savings/Excise Tax** *Background* *Sources/Uses/Structure*	Washington/Petersen/Staff
6:55 PM (5 min)	4. **Other Issues**	
	ADJOURN	

1999-00 (3rd session) COMMITTEE MEMBERS: Councilor Ed Washington (Chair), Barry Bennett, Shirley Coffin, Monica Hardy, Dean Kampfer, Paul Matthews, Steve Schwab

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RATE REVIEW COMMITTEE MEETING SUMMARY
August 4, 1999

MEMBERS PRESENT

Councilor Ed Washington, Chair
Shirley Coffin
Monica Hardy
Steve Schwab
Paul Mathews
Barry Bennett
Dean Kampfer

GUESTS/METRO

Councilor Rod Park
Terry Petersen, Interim Director, REM
Maria Roberts
Leann Linson
Jim Watkins
Tom Imdieke
Leo Kenyon
Paul Ehinger
David White
Joe Wonderlick
Lynn Storz

Chair Washington brought the meeting to order.

INFORMATION
Chair Washington brought the committee's attention to the newspaper article which appeared in today's Oregonian. Chair Washington commented that no one from Metro was interviewed nor corroborated the information that appeared in the article and there was little or no truth to the article.

Introductions were made of both the committee and the guests. Approval of the minutes were called for. Chair Washington abstained.

A correction to the Minutes. The correct date is November 1998. With that correction, Ms. Coffin made a motion the minutes be passed, Mr. Mathews seconded the motion and it passed unanimously.

MANAGERS UPDATES
Mr. Petersen told the committee that Metro has been negotiating for a change order to it's disposal contract and its transport contract, and as a result, Metro will realize certain savings from those contract changes. A copy of the changes to both contracts was included in the agenda packet. Mr. Petersen said the rate established from the old disposal contract was an average rate of $23.94/per ton, and staff is projecting the new average rate to be $17.37/ton. He said thisnew rate is currently expected to go into effect January 1, 2000. With regard to the transport contract (with STS), the key change is a prepayment of the fixed cost portion of STS's contract. The unit price as well as some other costs Metro was paying has been reduced. The

per load price was reduced $1.00/per ton and other changes amounted to approximately $1/ton. Mr. Petersen said these changes were effective June 1, 1999.

ISSUES FOR DISCUSSION
Mr. Petersen presented four issues to the Rate Review Committee for discussion.

1. The current disposal rate is $57.74 (not including excise tax.) Staff is recommending that be lowered to $51.21 to reflect the contract changes discussed above.

2. Confirmation of which expenses are included in which fees.

3. Position of the committee with regard to rate stability.

4. Fees on petroleum contaminated soils (PCS)

5. Update on fees with regard to composting organics.

Chair Washington asked the committee if they had any questions with regard to either of the change orders that Metro has negotiated.

Ms. Hardy said she understood the disposal change (Change Order #8), but she wanted clarification on the transport change order and wanted to know if Metro is the recipient of the savings. Ms. Hardy commented that Metro's disposal fees appear to be decreasing but her garbage disposal fees at the curb have increased.

Chair Washington explained that Metro passes these rates on to the haulers as a decrease in their tipping fees, but the haulers are franchised by the individual cities within the region who set the rates at the curb. He said Metro has recommended they pass these savings along to the consumer.

Mr. Schwab explained that although the last tipping fee reduction was passed on to the hauler other costs have increased. Mr. Schwab said recycling is frequently subsidized so that even a $2.00 reduction in the disposal rate might not be reflected in the consumer's garbage bill, and haulers are constantly seeing other costs increase such as insurance, payroll, and fuel prices have skyrocketed. Concurrently haulers have seen a decrease in the selling price of recyclables.

Mr. Mathews commented that change order 24 released $2.5 million in retainage, which indicates something was wrong with the contract and asked if there was a dispute or something malfunctioning?

Mr. Petersen replied the transport contract has performed very well. He explained the retainage was required in the early years of the contract, and for business reasons they requested Metro return that money. He said STS reduced the contract price in lieu of the retainage and the prepayment of $6.6 million. In addition, Metro received a Letter of Credit from Mellon Bank so the protection is still in place.

Ms. Hardy inquired whether on future payment reductions, the $18 million is reflected in the reduced per load price?

Mr. Petersen said the transport contract has two components: the per load price and a fixed monthly payment of approximately $69,000. The $18 million represents both of those components and is spread over the main life of the contract to December 31, 2009. Mr. Petersen commented the $51.21 suggested tip fee did not include the excise tax because the Council is currently deliberating how much the excise tax should be.

Mr. Mathews asked if the Council is interested in what the committee felt the excise tax should be? Chair Washington invited the committee to pass along their recommendations to the Council.

BACKGROUND ON REM's FINANCIAL FORECAST

Ms. Linson explained that staff used the October 1998 tonnage forecast to develop the Year 1999-2000 budget. A later tonnage forecast, prepared in March 1999, indicated a reduction in regional tonnage and increases in Metro tonnage so the later forecast was used to develop the budget for Year 2000-2001.

Ms. Linson indicated the Contingency Fund and the Reserve Account have remained stable. The Rate Stabilization Account was reduced in the FY '97-'98 due to some restructuring as a result of recommendations from a consultant to retain enough funds to sustain financial losses at 5% for two years. She said the undesignated fund dropped in the FY '98-'99 by $10.4 million, due to a refund to STS, decrease in tonnage, and funding of the Business Assistance Account.

Ms. Hardy asked what the Business Assistance Account was? Mr. Petersen replied that this was a recommendation that was passed by the Rate Review Committee last year who then forwarded a recommendation to Council that the old "Market Development Fund" should be increased and a program developed, and the Council approved. This is assistance to small recycling businesses.

Mr. Mathews asked if the Rate Stabilization Fund was tied up in the Bond Covenant, that allows Metro to mitigate shortfalls in revenue? Ms. Roberts replied it was completely outside of the Bond Covenant.

Ms. Linson continued the discussion with an overview of REMs financial forecast. She indicated that REM has not yet received the actuals for the FY '98-99 figures. The 1999-2000 forecast calculations assumes one-half year of savings from the disposal contract and one full year savings on the transportation contract. Similarly, the 2000-2001 assumes a full years savings on both contracts. Other assumptions are that in both years there will be no new FTE's, no new solid waste programs, we will maintain current service levels, and the tip fee was based on $51.21.

Mr. Kampfer noted the regional user fee goes from $14 to $12.90. Mr. Petersen replied that in all of the graphs, the excise tax was not included, and the $14 does include $1.10 in excise tax, i.e., if you remove the excise tax you are left with $12.90.

Ms. Roberts distributed some handouts. She explained that one illustrated a per ton cost where the other was figured on total costs. This is necessary because it is difficult to see the savings on the dollar amount because there is more tonnage at the Metro facilities so the reduction is not as illustrative. However when you view the analysis on a per ton basis it is clear.

Mr. Mathews asked if the excise tax was excluded in all the calculations? And if that is a new way of looking at the rate? Ms. Roberts said this is a new way to approach the rate, because the mission for the Rate Review Committee is to recommend the REM base which is the expenses and revenues that apply to the department. She said that until Council has made a determination on the excise tax it will remain an unknown.

Ms. Hardy asked what the excise tax was used for? Chair Washington replied it went into the General Fund to cover the expenses of Council, the executive and management. This is a statutory tax that Council sets. The excise tax also supports Regional Parks, Growth Management, and Transportation, 74% of the excise tax comes from solid waste activities.

Ms. Hardy commented that it was difficult to see how much the tip fee was being reduced because the excise tax could conceivably be raised high enough that the savings would not be recognized. Ms. Hardy asked if the committee would be invited to revisit the rate after Council sets the excise tax?

Mr. Mathews said there were a couple of ways to look at the rate issue: one is to look solely at the costs, and another is the impact to the citizens. He said to be able to understand the impact the committee has to know what the excise tax is going to be.

Chair Washington reminded the committee that the excise tax is actually a policy decision that is left to the discretion of the Council. He said it would not be made without reviewing the considerations and recommendations of this committee.

Mr. Schwab pointed out that if the rate were reduced by $6.00, and the excise tax remains at 8-1/2%, you are in effect reducing the amount that will be realized in the General Fund.

Ms. Roberts continued with an explanation of what each category of calculations comprises in the rate structure. She said the Regional System Fee is calculated by allocating all of the dollars that go towards services delivered to the region. Some of those services include: household hazardous waste programs, waste reduction grants to local governments, public outreach are some of the largest expenses.

Ms. Roberts said that because Metro did not want to calculate a 6-month rate, we will assume a CPI increase of 2.6% for materials and services and personal services and a full year reduction due to the transportation and disposal contracts for FY 2000-2001. She said in this category there are certain offsets, mainly interest and the amount of fund balance in use. In the FY '99-2000, there is $900,000, and in the FY 2000-2001, we used $1 million from the fund balance. After that is divided by the tonnage, which in this case increased the per ton cost of the regional system fee because Metro has less tonnage to be divided into all of those costs by. Staff has made no change in allocation from the previous presentation to the committee for the FY 1999-2000.

Mr. Mathews asked if a complete budget process is made outside of this committee where are the dollars reviewed? Ms. Roberts replied that the FY 2000-2001 has not been discussed but if a reallocation of funds or categories were to occur, the committee would be called back to meet and discuss those changes.

Mr. Petersen commented that Ms. Roberts has thus far shown the components of the Regional System Fee, the fee that is assessed on all of the tons, both Metro and non-Metro facilities. He said that in that fee appeared the fixed payment to Metro's transport carrier which has gone away but it's been offset by CPI and inflationary adjustments and the other line items that occur.

Mr. Schwab commented it is like the curb rate, it went up though the costs went down, why? Mr. Petersen replied that had we not enjoyed the contract savings, the rate would have had to go up higher.

Ms. Hardy asked what the internal transfers of support and space comprised? Mr. Imdieke replied that those monies are to fund support type activities such as accounting functions, financial planning, building maintenance, etc.

Ms. Roberts continued with an explanation of those fees assessed only at the Metro Transfer Stations ($6.58, $29.24, $.75). Ms. Roberts said BFI's (the transfer station operator) contract increases for two reasons: 1) the CIP increase of 2.6% assumed for the year 2000-2001 and 2) more tonnage at Metro transfer stations.

Ms. Roberts said there is a big change in the offset revenues and the reason is that the $5.00 transaction fee was used to offset the costs to the transfer station. Previously, the excise tax was deducted from the $5.00 transaction fee. The disposal fee for direct-haul is a decrease because they pay Metro's cost per ton per Metro's disposal contract. Therefore if Metro's disposal contract is reduced, they are required to pay less.

Mr. Mathews commented that the tonnage appeared to be growing at a rate slower than the revenue offset from the transaction fee. Ms. Roberts replied that previously the excise tax was a known amount of 8.5%, since that is now an unknown she is taking the whole $5.00 to offset costs.

Mr. Petersen noted that one more change in effect since the last time the committee met was the three facilities that have been authorized to haul waste directly to Columbia Ridge Landfill, and they would be required to pay the regional system fee but not the Metro tip fee assessed at Metro's transfer stations.

Mr. Mathews commented that if you were a ratepayer who was a customer of an authorized direct-hauler, that hauler could essentially pass on his savings from not paying Metro's transfer station fee and the excise tax.

Mr. Petersen pointed out that when this request came before Council, they were quick to note that although they were granting authorization for direct-haul, those haulers were still responsible for the 8.5% excise tax on the Metro tipping fee. Direct-haulers pay a $1.76/ton fee in lieu of excise tax.

Ms. Linson went on to state that Metro's recommendation is to reduce the rate to $51.21 with the use of the $1 million from the undesignated fund balance. This rate could be maintained for 2-1/2 years but would considerably to $54.36 after that date. She said the committee has expressed its desire, in the past, to minimize rate spikes and promote rate stability. She invited the committee's recommendation on how to proceed in the years 2000, 2001 and 2002.

Mr. Mathews noted that three years equaled $3 million and wanted to know where the money came from and when did that happen? Ms. Linson we are actually realizing $1/2 dollars from the contract savings on the transport contract this year. Mr. Petersen noted that in addition, the undesignated fund balance grew during the years that Metro maintained a $70/per ton rate. He said that during that time our revenues were greater than our expenses and those monies went into the undesignated fund balance.

Mr. Mathews wanted to know whether the Metro facilities would realize a drop in tonnage as a result of authorizing direct-haul operations?

Mr. Kampfer said he didn't believe so. He said the alternatives are not so attractive that the rate differential will drive those tonnages. There was continued discussion on this subject.

Mr. Schwab noted that the fees charged outside the Metro region are so cheap that if tonnage is going there now, that won't change.

Mr. Mathews said the reason he asked which years the undesignated fund balances accumulated from was to see how regular or systematic it is. It appears there were two years that generated the bulk of these funds so Metro could have some real volatility -- upside revenue received. He believes Metro should dispose of the money as quickly as possible and hope that by 2002, 2003 one of those years would see an accumulation of funds, but if not that is the point at which you increase the rate. If the rate must be increased by a great amount, that is what the rate stabilization fund and the contingency funds are for.

Ms. Roberts said we are protected on the down side by the contingency and the rate stabilization. However, once those funds have been expended then the rate must be charged in order to replenish the contingency.

Mr. Schwab noted that the committee allowed the designation of the rate stabilization account with the stipulation that it would not be fed by the rate. He said if you use up all of the contingency, instead of charging the rate, you could move the rate stabilization account over and perhaps use it to supplement the rate. He said the point is that the rate stabilization account should go away at some point.

Mr. Mathews said he did not have a problem with Metro retaining the account as an additional buffer but that gives a two or three year window, because what you would be seeing is a turn downward in the economy which hasn't been seen for the last 10 years or so. He said the undesignated fund balance should not be used to stabilize the rates. If the rate stabilization account has been fully funded to a level that is consistent with good operations, Metro should get rid of the undesignated fund balance. If it is not properly funded, fund it from the undesignated fund balance.

Ms. Roberts explained that the consultant recommended that in combination with the contingency account and the rate stabilization account, enough money, net 5% reduction in revenues for a two-year period. She said that based on the tonnage forecast we currently have, we have funds for a 5% drop in a two-year period.

Ms. Hardy asked Councilor Park how tonnage activity was tied into the economy? Councilor Park noted that the more people, the more building activity, the more refuse from that.

Ms. Coffin said that another piece of that is the coming on-line of more and more recycling, and recovery of various things.

Mr. Mathews said the situation could be even more volatile and he would not change his opinion, that if the rate stabilization is properly sized for the volatility, we could increase this volatility twice as much, yet we need to make a compensatory adjustment. But, if the fund is properly sized, that is where the money should be. If it is properly sized now, lets give the savings back to the ratepayers.

Mr. Kampfer asked if rate stabilization and the operating contingency, are those monies enough to handle 5% tonnage deviation for a two-year period? Ms. Roberts replied that was true.

Mr. Mathews asked if staff had determined some sort of probability of such an event in two consecutive years ?

Mr. Watkins, REM staff, said that one of the philosophies in staggering out the increase is that many of the other facilities that receive waste mirror Metro's waste, in particular, recovery facilities, and if the rate moves downward one year and increases the next, it makes it difficult for them because their costs are processing costs and there costs didn't fluctuate like ours, and they don't have a contingency fund.

Mr. Mathews said he was actually recommending the proposal that staff has made.

Mr. Petersen said he is also hearing Mr. Mathews say that perhaps Metro should look at using funds from the rate stabilization account perhaps in that second or third year to smooth out that spike if it is necessary.

Ms. Roberts said that the scenario presented is to set the rate at $51.21 at January 1, 2000, and then every year REM's budget would change and the Rate Review Committee is asked every year to set the annual rate accordingly. Staff is not proposing any rate past the rate for the Year 2000. She said this rate includes a buy-down of $1 million from the fund balance for one half year.

Ms. Hardy voiced her concern that if the fund balance is used to buy down the rate too far, and tonnage is not sufficient to sustain that rate, Metro will be forced to raise the rate which will cause a spike. Mr. Mathews felt there is sufficient money to lower the rate as staff suggests and that if Metro is forced to raise the rate due to declining tonnage that the fund balance could be used to gradually raise the rate over a two or three year period. Mr. Mathews believes it is not necessary to make long-term decisions at this time. Mr. Kampfer voiced the same concerns that Ms. Hardy had expressed. Mr. Bennett and Ms. Coffin didn't see where the fund balance was being used in order to buy the rate down for the half year of FY 99-00.

Ms. Roberts explained that if Metro uses the $51.21 rate for the second half of the year Metro is actually over-collecting the first half of the year. This is due to the fact that Metro is currently over-collecting due to the transport savings they are realizing as of July 1, 1999.

Mr. Schwab commented that it was his understanding that the fund balance was being used to buy down the rate currently. Ms. Roberts said he was correct, that Metro had used 900,000 from the fund balance.

Chair Washington stopped the discussion and asked the committee to take the issues in the order that Mr. Petersen had presented them. He said he would poll each member around the table and ask for comments from each of them. Chair Washington said a motion was needed on item 1 and 2.

Ms. Linson suggested the motion be worded:

"The Rate Review Committee recommends that Metro Council amend Metro Code, Chapter 5.02 to adopt the rates and charges listed below:

1. Regional System Fee	$12.90/per ton (net of excise tax)
2. Transaction Charge	$5.00
3. Tonnage charge for disposal of solid waste at Metro South Station and Metro Central Station of	$51.21/per ton (net of excise tax)
Consisting of the following components:	
a) Disposal charge of	$29.24/per ton
b) Regional Transfer Charge	$6.58/per ton
c) Metro facility fee	$ .75 cents/per ton
d) Regional System Fee	$12.90/per ton
e) Enhancement Fee	$ .50/per ton
f) DEQ fees	$1.24/per ton
All to take effect January 1, 2000	

Chair Washington asked the committee if they were comfortable on Item 1 and 2, based on what they know.

Mr. Mathews: Yes
Ms. Hardy: No. She said that in order to vote on the first item, the third item had to be discussed, because it doesn't make sense to vote on it unless the discussion on rate stability is made.
Mr. Schwab said he didn't feel he could vote on item 2 because it had not been discussed. He asked if staff had contemplated moving any fees around? Ms. Roberts answered there were no plans to move any fees.

Mr. Petersen stated staff wanted to know if the committee believed the structure of the fees still made sense to them. He said he would be happy to remove that item for this meeting and save it for a future time.

Mr. Schwab said he still wanted to see rate stability, he was still in favor of the rate stabilization account – to keep funds in it to be used during a time when the rate might otherwise be raised to an unreasonably high level. He agrees that it should be used for the rate spikes. He does believe that a 2% hike in one year is fine, that is stability.

Ms. Coffin is of the same opinion that Mr. Schwab expressed. She said that in looking at the projections given that everything is working as it should. She does not want to see any more money placed in the rate stability fund.

Mr. Bennett also agreed. He stated he really does not want to see the rate raised with a big spike.

Mr. Mathews concurred with the rest of the committee.

Ms. Hardy agreed with the rest of the committee.

Mr. Kampfer said he thought the 5% raise over two years was reasonable, and the undesignated fund brought down to zero, and does not want to see a rate spike. He would like to see the $3.00 hike spread out over a longer period.

Ms. Hardy said the $51.21 rate hike was okay, with the condition that if the tonnage was over projected, Metro use the Rate Stabilization Account and the Contingency Fund to ease up the spike.

Chair Washington asked if the committee was ready to make a motion? Mr. Mathews said he would make a motion that the committee recommend to the Council the motion that Ms. Linson described. Ms. Coffin seconded the motion and the motion passed unanimously.

Mr. Petersen suggested the committee vote on the $5.00 transaction fee knowing that $5.00 does include the excise tax.

Mr. Mathews asked that the motion be amended to include the statement Mr. Petersen made.

Chair Washington polled the committee for the vote on Item 1 as Ms. Linson stated with the amendment Mr. Petersen expressed.
Mr. Schwab, Yes
Ms. Coffin, Yes
Mr. Bennett, Yes
Mr. Mathews, Yes
Ms. Hardy, Yes
Mr. Kampfer, Yes

Chair Washington called for a motion for item 2, the rate stability issue.

Ms. Hardy stated the motion: That before a rate increase is implemented, Metro will use the Rate Stabilization Account and the Contingency Fund to buy down or to soften the blow of a rate spike.

Mr. Mathews said he believed this discussion could be had at a later time.

Chair Washington recommended the committee at least make a statement to the Council on what their preference is on this matter.

Mr. Schwab asked if the Rate Stabilization Fund is a restricted account, or how is it set up.

Ms. Roberts said if the tonnage dropped 15% the funds would have to be used. She said there were certain procedures due to the bond convenant that has to be followed.

Mr. Imdieke stated that under Oregon budget law the funds cannot be touched unless it has been it has been funded throughout the year.

Mr. Schwab commented, that's why they have a contingency fund. That's the first place you go. He asked if REM could get to the Rate Stabilization Account without going to Council in mid-year. Ms. Roberts said no.

Ms. Roberts said the fund was restructured based on the recommendations of the consultant.

Ms. Hardy commented that the Rate Stabilization Account was not really a separate fund but simply a book entry that gets recalculated each year. Ms. Roberts said that is correct.

Mr. Mathews said he didn't believe the rate stabilization fund should be a formula based on the revenue. He said it should be an amount of money and if it increases in the year it should be due to interest or an explicit decision by Metro Council to place more money in it. He suggested it become a separate account. Mr. Mathews said it should be a specific account just as the Business Assistance is a separate account, and that it be for a specific amount of money and build or diminish it based on explicit direction from Council. Mr. Mathews suggested the Rate Stabilization Fund discussion should be postponed to another meeting.

Chair Washington noted that the committee was not meeting on a regular basis and it was obvious to him that there was enough business to discuss that the committee should meet at the very least once every three months. Chair Washington stated that solid waste issues do impact growth, transportation and other planning issues and the committee should be better informed. He set a special meeting for Wednesday, September 15, 5:30 – 8:00, and the agenda item will be excise tax discussion and recommendation to Council. The next meeting will be the regularly scheduled meeting in November.

Mr. Petersen said the last issue was the letter from Ms. Diana Godwin representing Roosevelt Landfill in Washington asking the committee to consider reducing the user fee on petroleum contaminated soils. He said that staff has not had an opportunity to make a financial analysis of this and he suggests the committee move that discussion to the next quarterly meeting which would allow staff to take a better look at it.

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RATE STABILIZATION ACCOUNT

Established

- Ordinance No. 94-535B adopting the FY 1994-95 budget established a Rate Stabilization Account within the Solid Waste Revenue Fund. The ordinance stated:
  - ✓ The purpose of the Account is to minimize extraordinary solid waste disposal rate increases.
  - ✓ At the time disposal rates are set, funds collected in excess of required expenditures may be placed in the Rate Stabilization Account, but system disposal rates shall at no time be increased for the purpose of making a contribution to the Account.
  - ✓ Funds deposited in the Rate Stabilization Account shall be available at the time disposal rates are set to offset increases in system disposal rates.
- Initial balance $1,500,000
- FY 1995-96 Adopted Budget included a contribution of $1.2 million
- At the end of June 1997 the Rate Stabilization Account balance was $3.2 million, which included $2.7 million from contributions and $406,755 in interest earnings

Purpose

- To ensure rate stability
- To mitigate the effect on the solid waste disposal rate of fluctuations in regional waste generation and system revenues

Current Funding Level

- Based on recommendations from an independent consulting firm (Financial Solutions Group, Inc., Redmond, WA), the Rate Stabilization Account was restructured in FY 1997-98 to provide funding to cover a 10% decline in tonnage, which corresponds to a 5% loss of net revenue, for a two-year period when combined with Operating Contingency
- As a result of the restructuring, the Rate Stabilization Account ending balance is established by the annual adopted budget, and is recalculated annually based on projected revenues. Interest earnings are no longer allocated to the account.
- In addition, the scope of the Rate Stabilization Account was expanded in FY 1997-98 only to help fund estimated contract cost increases due to inflation for the next 3-5 years
- After FY 1997-98, funds remaining after allocations are made to all REM reserve accounts are allocated to the Undesignated Fund Balance

APPROVED BUDGET

FISCAL YEAR 1999-2000

CONTINGENCY

Purpose: Tonnage/cost fluctuation during fiscal year.

Funding Level Basis:To cover a possible 10% increase in tonnage and a 5% increase in all other materials and services not related to tonnage.

CONTINGENCY CALCULATION

Average variable cost/ton	
Disposal (for additional tons only)	$8.49
Transportation	13.08
Fuel	1.31
Station Operations	6.55
DEQ	1.24
Reh * Enh	0.5
Cost/ton	$31.17
Metro Incoming Tonnage	678,143
10% of tonnage	67,814
Tonnage cost	**$2,113,683**
Non-tonnage Costs	$8,256,420
5% of Non-tonnage costs	**412,821**
Total Contingency Needed	$2,526,503

RATE STABILIZATION

Purpose: To minimize fluctuations in what otherwise might be required in disposal rates.

Funding Level Basis:The ability to cover (combined with the operating contingency a net 5% loss of revenue for a two-year period.

RATE STABILIZATION CALCULATION

Revenue Calculation	
Revenue from Rates	$52,294,391
5% of revenue for a two-year period	5,229,439
Total Rate Stabilization Funding (5% of revenue minus contingency)	$2,702,936

I HEREBY CERTIFY THAT THE FOREGOING IS A COMPLETE AND EXACT COPY OF THE ORIGINAL THEREOF.
Clerk of the Metro Council

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF ADOPTING THE ANNUAL BUDGET FOR FISCAL YEAR 1994-95, MAKING APPROPRIATIONS AND LEVYING AD VALOREM TAXES; AND DECLARING AN EMERGENCY	)	ORDINANCE NO. 94-535B Introduced by Rena Cusma, Executive Officer

WHEREAS, The Multnomah County Tax Supervising and Conservation Commission held its public hearing on the annual Metro budget for the fiscal year beginning July 1, 1994, and ending June 30, 1995; and

WHEREAS, Recommendations from the Multnomah County Tax Supervising and Conservation Commission have been received by Metro (attached as Exhibit A and made a part of the Ordinance) and considered; now, therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

1. The "Fiscal Year 1994-95 Metro Budget," attached hereto as Exhibit B, and the Schedule of Appropriations, attached hereto as Exhibit C, are hereby adopted.

2. The Metro Council does hereby levy ad valorem taxes, as provided in the budget adopted by Section 1 of this Ordinance, for a total amount of ELEVEN MILLION NINE HUNDRED THIRTY-TWO THOUSAND EIGHT HUNDRED TWENTY-NINE ($11,932,829) DOLLARS to be levied upon taxable properties within the Metro District as of 1:00 a.m., July 1, 1994. The following allocation and categorization subject to the limits of Section 11b, Article XI of the Oregon Constitution constitute the above aggregate levy.

SIX MILLION FOUR HUNDRED THIRTY-EIGHT THOUSAND SIX HUNDRED THIRTY-THREE ($6,438,633) DOLLARS shall be for the Zoo Operating Fund, said amount authorized in a tax base, said tax base approved by the voters of Metro at a general election held May 15, 1990, and subject to the General Government Limitation.

FIVE MILLION FOUR HUNDRED NINETY-FOUR THOUSAND ONE HUNDRED NINETY-SIX ($5,494,196) DOLLARS shall be for the Convention Center Project Debt Service and, said levy needed to repay a portion of the proceeds of General Obligation bonds as approved by the voters of Metro at a general election held November 4, 1986. Said levy is excluded from the General Government Limitation.

3. Pursuant to Metro code Section 7.01.020(b) pertaining to the Metro Excise Tax, the Council hereby confirms that the rate of tax shall be the maximum amount allowed under the Metro Code.

4. The provisions of Chapter 7.01 of the Metro Code shall not apply to any former Multnomah County Park or Pioneer Cemetery operated by Metro until July 1, 1995.

5. A Rate Stabilization Account is established within the Solid Waste Revenue Fund. The purpose of the Account is to minimize extraordinary solid waste disposal rate increases. At the time disposal rates are set, funds collected in excess of required expenditures may be placed in the Stabilization Account, but system disposal rates shall at no time be increased for the purpose of making a contribution to the Account. Funds deposited in the Rate Stabilization Account shall be available at the time disposal rates are set to offset increases in system disposal rates.

6. Any contract amendment or change order to an existing contract for the purchase of any fiber-based fuel or pelletizer equipment at any Metro operated or franchised transfer station will be subject to Council approval prior to execution by the Executive Officer, notwithstanding any other provision of the Metro Code.

7. The Regional Park and Expo Trust Fund is hereby created for the purpose of managing dedicated resources transferred from Multnomah County as part of the Intergovernmental Agreement. Sources of revenue shall be interest earnings, special event revenues, donations and contributions from other funds.

8. The Zoo Revenue Bond Fund is hereby eliminated.

9. In accordance with Section 2.02.125 of the Metro Code, the Metro Council hereby authorizes personnel positions and expenditures in accordance with the Annual Budget adopted by Section 1 of this Ordinance, and hereby appropriates funds

for the fiscal year beginning July 1, 1994, from the funds and for the purposes listed in the Schedule of Appropriations, Exhibit C.

10. The Executive Officer shall make the following filings as provided by ORS 294.555 and ORS 310.060:

a. Multnomah County Assessor
   1) An original and one copy of the Notice of Levy - marked Exhibit D, attached hereto and made a part of this Ordinance.
   2) Two copies of the budget document adopted by Section 2 of this Ordinance.
   3) A copy of the Notice of Publication required by ORS 294.421.
   4) Two copies of this Ordinance.

b. Clackamas and Washington County Assessor and Clerk
   1) A copy of the Notice of Levy marked Exhibit D.
   2) A copy of the budget document adopted by Section 2 of this Ordinance.
   3) A copy of this Ordinance.
   4) A copy of the Notice of Publication required by ORS 294.421.

11. This ordinance being necessary for the health, safety, or welfare of the Metro area, for the reason that the new fiscal year begins July 1, 1994, and Oregon Budget Law requires the adoption of a budget prior to the beginning of the fiscal year, an emergency is declared to exist and the Ordinance takes effect upon passage.

ADOPTED by the Metro Council this 30th day of June, 1994.

Judy Wyers

Judy Wyers, Presiding Officer

Attest:

Paulette Allen

Clerk of the Council

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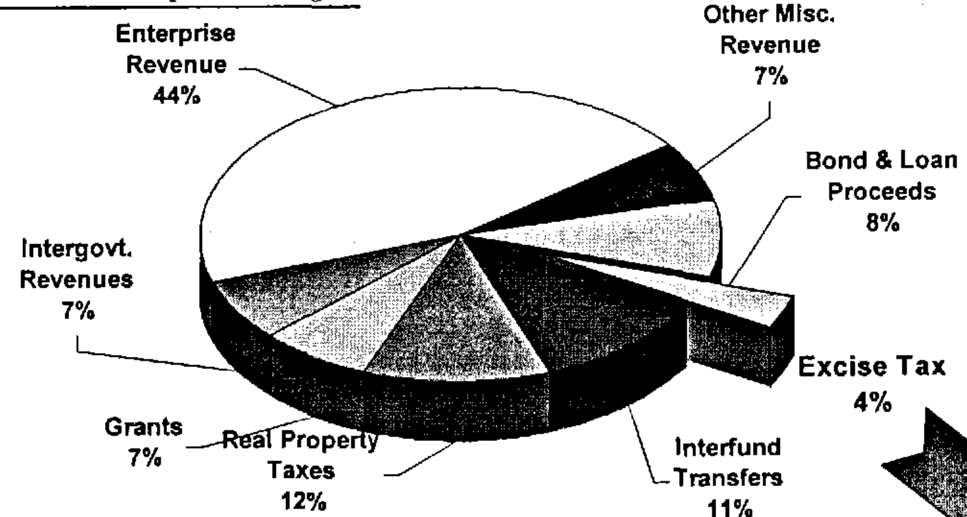
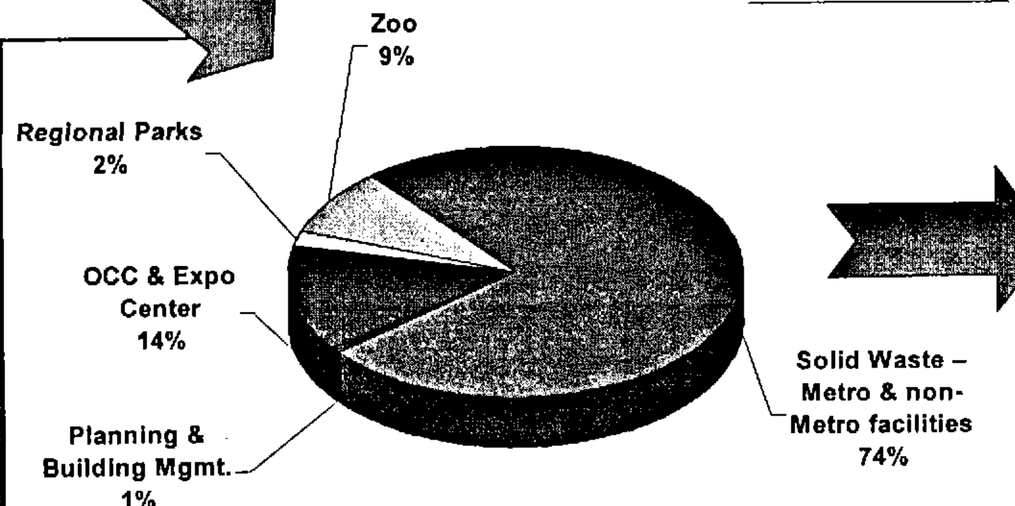
Current Revenues – Excise tax portion

FY 99-00 Adopted Budget

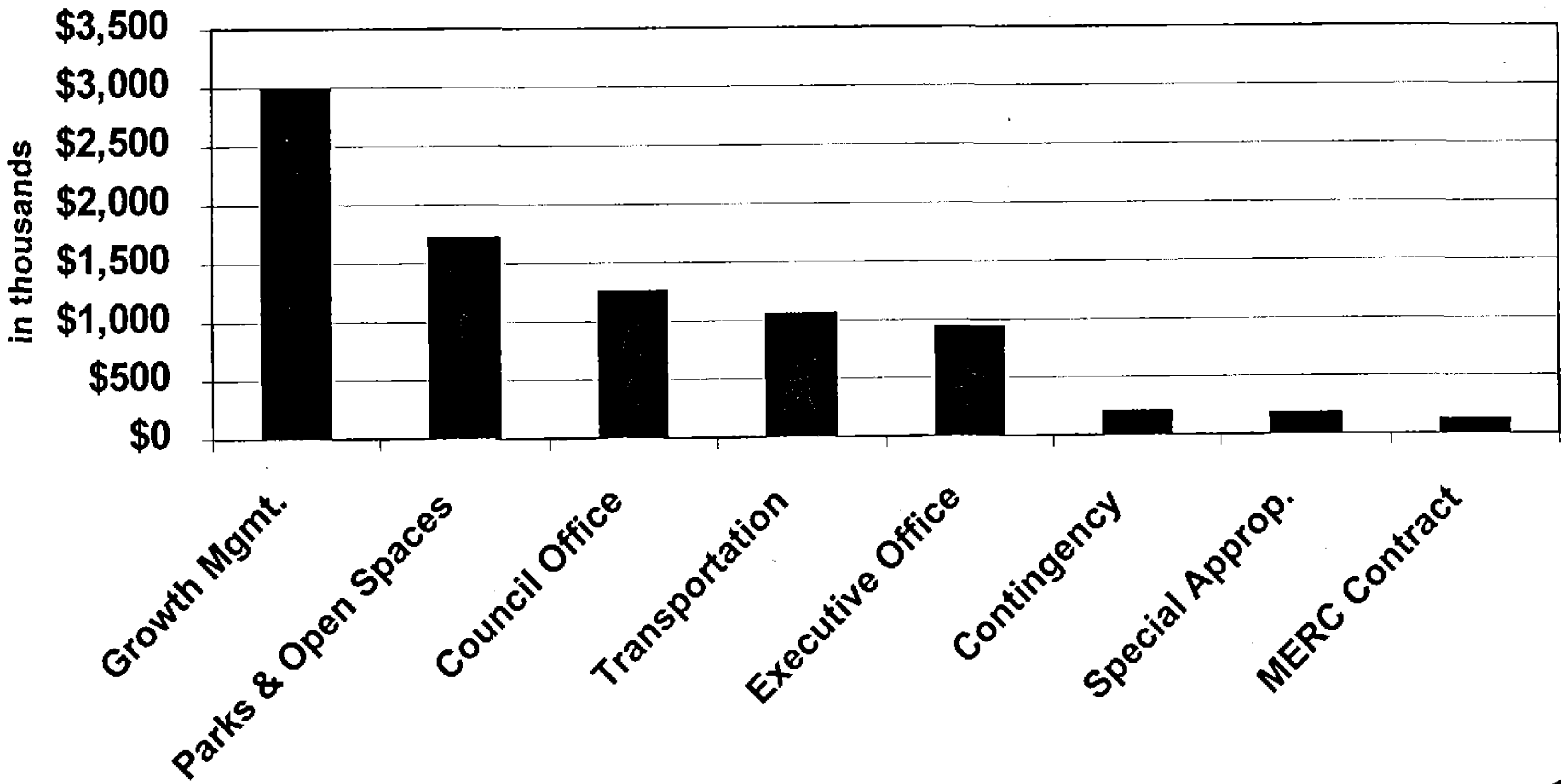


Excise Tax Portion



Excise Tax . . . Uses by Department

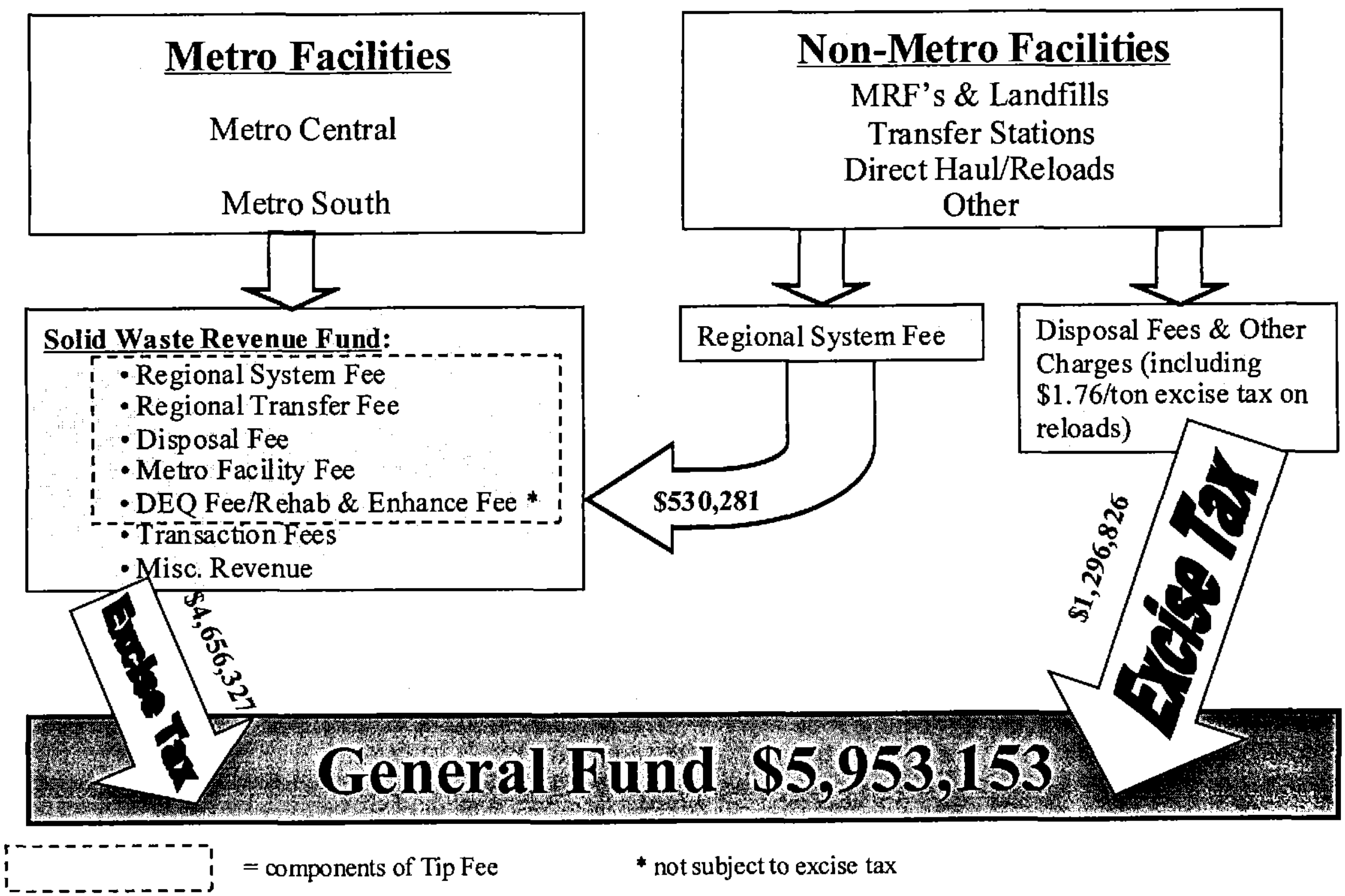
FY 99-00 Adopted Budget



Solid Waste Excise Tax Flow Chart

FY 2000-01

Total Tonnage: 1,305,399 (based on March '99 estimate)



- Current Rate –

  8.5% on solid waste revenues

  7.5% on other facilities subject to the excise tax

- MRF's – Excise tax applied only on residual

- Per ton rates will vary depending on type of facility and their current rates

Excise Tax Collections
FY 2000 - 2001 Projections
Prepared September 9, 1999

		Current Structure at 8.5%	
	Tons	Excise Tax Generated	Effective tax per ton
Transfer Stations			
Metro	723,554	$3,657,904	$5.06
Forest Grove	92,338	$461,669	$5.00
Subtotal	**815,892**	**$4,119,573**	**$5.05**
Reloads/Wet Waste			
WRI	31,211	$148,566	$4.76
R.America	30,616	$145,734	$4.76
Pride	36,520	$173,835	$4.76
Marion County*	4,343	$22,439	$5.17
Subtotal	**102,691**	**$490,575**	**$4.78**
Landfills			
Hillsboro	153,707	$660,291	$4.30
Lakeside	89,360	$293,081	$3.28
Columbia Ridge	5,828	$14,627	$2.51
Finley Buttes	7,045	$20,514	$2.91
Roosevelt	274	$1,459	$5.32
Riverbend*	5,754	$13,562	$2.36
Subtotal	**261,968**	**$1,003,533**	**$3.83**
Solid Waste Facilities/MRF Residual			
East County	21,238	$50,053	$2.36
Wastech	38,669	$112,595	$2.91
Pride	14,202	$33,471	$2.36
WRI	19,486	$50,055	$2.57
R.America	20,165	$50,609	$2.51
Other**	11,088	$42,688	$3.85
Subtotal	**124,848**	**$339,472**	**$2.72**
TOTAL	**1,305,399**	**$5,953,153**	**$4.56**

NOTE "Excise tax generated" includes excise tax from all sources:

- o 8.5% on gross revenues,
- o $1.10 per ton in the Regional System Fee,
- o $1.76 per ton paid in lieu of excise tax by direct-haul reloads, and
- o excise tax on transaction fees and miscellaneous revenue at Metro.

* Delivered via Non-Sytem License

** Includes ERI (closed July 1999), Citistics (future as a MRF uncertain), and KB (not yet opened).