



METRO COMM
RESOURCE LIBRARY

METRO

MEETING: RATE REVIEW COMMITTEE
DATE: July 12, 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. Update on five-year financial forecast (25 min)..... *Tom Chaimov*
 - *Follow-up to last meeting: Should tip fee be reduced in the short term?*
 - *Define questions and analysis first, then answers.**No action requested (informational only.)*
4. Rate-setting criteria update (10 min)..... *Leann Linson*
 - *Follow-up to last meeting: Are current criteria appropriate?**Action requested: Approve current criteria.*
5. Cost-of-service issues related to self-haulers (25 min)..... *Paul Ehinger*
 - *Budget Advisory Committee asked RRC to review*
 - *Council budget notes requires report before October 1, 2000**Action requested: RRC is asked to recommend no change to transaction fee.*
6. Tipping fee for source-separated organics (25 min)..... *Jennifer Erickson*
 - *Budget Advisory Committee asked RRC to review BAC's recommendation.*
 - *Pilot project under way.**Action requested: Recommend Council approve attached code changes.*

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

Attachments:

- A. Five-year Financial Forecast Update
- B. Rate Review Committee Criteria Review Project
- C. Cost-of-Service at Metro Transfer Stations
- D. Disposal Charge for Organic Waste at Metro Transfer Stations

Committee Members:

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

TC:gbc

cc (w/o attachments): Interested Parties

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Y2K Five-year Financial Forecast

Rate Review Committee Update

Outline

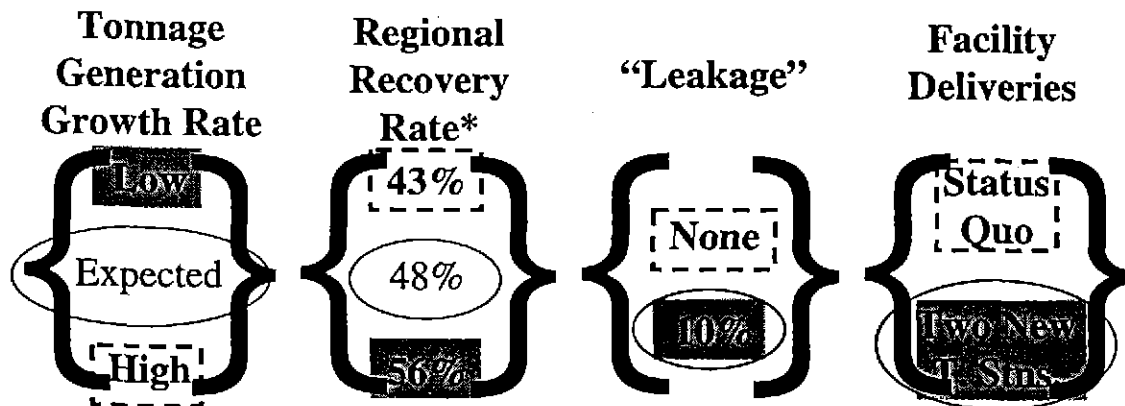
- Purpose
- Inputs
- Process
- Outputs
- Next Steps
- Feedback from RRC

Purpose of Forecast

- Model effect of probable system changes on Metro costs and required tipping fee
 - New transfer stations
 - Procurement of 10% of region's waste
- Reexamine current expense allocations
- Aid departmental strategic planning
 - Update budget projections
 - Reevaluate reserve levels

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Model Inputs: Tonnage



[---] Highest tonnage, lowest rate
 [] Lowest tonnage, highest rate
 () Most likely, or expected outcome

* 43% constant rate through time vs. achieving 48% by 2010 vs. achieving 56% by 2010.

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Model Inputs: Financial

- FY 2000-2001 approved budget with CPI and growth adjustments in future years
- Status quo allocations of expenses to specific components of the tipping fee
- Existing contract terms
 - if due to expire, assumed to continue “as is,” e.g., contract for operation of Metro transfer stations

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Model Outputs

- Unit cost
 - Disposal
 - Regional programs
 - Implications for rate increase/decrease
- Required rate
- Duration \$62.50 rate can be maintained
- Reserve account balances

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Modeling Process

- Calibrate year 1 tonnage input with the Solid Waste Information System forecast, plus some adjustments
- Begin by modeling two extremes, plus most likely scenarios; others as appropriate
- Establish baseline with constant reserve account balances except where variable due to legal constraints (e.g., bond covenants, state law, etc.)
- Buffer inevitable rate increases using Undesignated Fund

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Next Steps

- Financial model ready for tonnage input
- Begin this week populating financial model with tonnage scenarios
- Will have results, draft of report ready for next RRC
- RRC feedback

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RRC Feedback

- Sound modeling approach?
- Appropriate tonnage scenarios?
- Outputs of interest?

RATE REVIEW COMMITTEE CRITERIA REVIEW PROJECT

July 12, 2000

Issue: At the June 14, 2000, Rate Review Committee meeting, one member asked about the criteria used by the Committee to make decisions and recommendations. He asked what the process was for the Council to review the criteria annually, per Metro Code, Chapter 5.08.050. Councilor Washington indicated that while these criteria are not usually brought to the Council as specific agenda items, the Council is up to speed with what they are because during the budget process the Council and REM staff have lengthy discussions about assumptions made and the basis for budget requests. He also said that if this committee wanted to bring the issue and criteria forward to Council, he would be happy to hear it at REM Committee and carry it to Council if passed. Ultimately, the RRC member asked that this Committee review the criteria to be used and take them to Council for review.

Background:

A. Ordinance #91-436A, Section 1, created in Metro Code Chapter 5.08, Rate Review Committee, the purpose, authority and responsibility, membership, meetings and scheduling, and rate review criteria regarding this committee.

Specifically, 5.08.050 (a) states: *"...the committee shall apply criteria established by resolution of the Council. The Council shall review the established criteria annually, and make revisions as necessary. The committee may recommend to the Council changes in established criteria deemed appropriate by the committee."*

B. Resolution #93-1824A was adopted July 22, 1993, FOR THE PURPOSE OF ESTABLISHING A PROCESS FOR EVALUATION OF METRO'S SOLID WASTE FEES, CONSIDERATION OF A NEW RATE STRUCTURE FOR FY 94-95, AND COMPLETION OF CHAPTER 11 (RATES) OF THE REGIONAL SOLID WASTE MANAGEMENT PLAN.

Section 6 of the resolution is the "criteria used to evaluate alternatives".

1. **Consistency:** Consistency with Metro's agency-wide planning policies and objectives, including but not limited to the Solid Waste Management Plan, and the economic opportunity and related objectives of Regional Urban Growth Goals and Objectives.
2. **Revenue Adequacy:** The generation of sufficient revenues to fund the costs of the solid waste system.

3. Equity: Charges to users of the waste disposal system are directly related to disposal services received. Charges to residents of the Metro service district who may not be direct users of the disposal system should be related to other benefits received.
4. Economic Impacts: The economic effects on the various types of rate payers, including the cost of living on residential waste generators and the cost of doing business on non-residential waste generators, as well as the economic effect on others in the region.
5. Waste Reduction: The rate structure provides incentives to encourage waste reduction, reuse, and recycling.
6. Affordability: The ability of those paying for the program to bear the costs that they are determined to be responsible for.
7. Implementation: The relative cost and effort of implementing and administering the rates. Ensure that the rates can be verified and enforced.
8. Credit Rating Impacts: The effect of the rate structure on Metro's credit rating.
9. Authority to Implement: The legal ability of Metro to implement the rate structure; the relative ease or difficulty of obtaining the authority if such authority is not already held; and the changes needed to Metro Code to implement the new rate structure.
10. Reliability: The extent to which anticipated revenues are stable and unlikely to deviate from financial plan expectations.
11. Predictability: Metro rate adjustments will occur in a predictable and orderly manner such that local governments, haulers, and rate payers will be able to perform effective business planning.

C. REM Working Criteria:

The following lists are from a document "Objectives & Criteria Update" that was developed and approved by the Rate Review Committee on November 15, 1998, when meeting to consider the FY99-00 rate.

Rate Objectives:

1. Encourage recycling and recovery
2. Obtain a balanced user fee and total disposal rate
3. Maintain predictability in rates
4. Focus on equitable allocations and move toward cost of service

Rate Setting Criteria: (the # noted corresponds to the #1-11 in the resolution above)

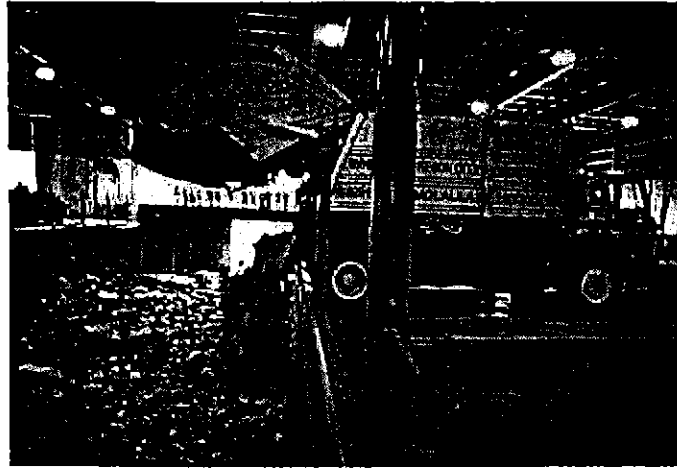
1. Recover anticipated costs (2)

2. Return undesignated fund balance to ratepayers (2,3,6)
3. Encourage recycling and recovery (5)
4. Maintain predictability and stability in rates (10,11)
5. Ensure regional stability (10,11)
6. Avoid "rate shock" (2,4,6,10,11)
7. Ensure that Metro rates for source-separated recoverables: (2,4,5,6,11)
 - Do not compete with the private sector, and
 - Reflect only program-specific direct and indirect costs
8. Ensure regional programs with regional benefits are broadly funded (2,3,4,5,6)
9. Base the rate upon best tonnage projections (2)
10. Set a uniform regional transfer station tipping fee (1-6,10,11)

Action Requested:

- 1) Does this Committee agree with the current criteria being utilized?
- 2) Are there criteria that should be changed, added, or deleted?

Cost of Service Metro Transfer Stations



Rate Review Committee

July 12, 2000

Cost of Service Metro Transfer Stations

- **Issue**
- **Background**
- **Analysis**
- **Rate Options**

Cost of Service

Metro Transfer Stations

- **Does Metro's Current Tipping Fee Structure Adequately Reflect the Cost of Serving Various Customer Types?**
- **What Options are Available to Improve the Relationship between Cost of Service and the Rate Structure?**

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Cost of Service

Background

- **Impact of Transaction Fee and Minimum Load Fee**
- **Contract Structure**
- **Independent Consultants Report**
- **Metro Studies**
- **Tonnage Delivered by Public Customers Costs \$1-\$1.5 Million more than if same Tonnage were Delivered in Commercial Vehicles**

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1998-99

Metro Transfer Stations

MSW Activity

	Transactions		Tons	
		%		%
Household Waste	41,062	12.6%	3,222	0.4%
Commercial Waste	151,009	46.0%	11,451	9.7%
Total Public MSW	192,071	58.9%	14,673	10.1%
Contractor/Industrial MSW	133,847	41.1%	102,771	29.9%
Total	325,917	100%	137,444	100%

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1998-99

Metro Transfer Stations

MSW Revenues (Approx.)

	Revenue	Rate
Municipal	\$615,930	\$191.16
Other Public	\$5,220,354	\$73.07
Total Public MSW	\$5,836,284	\$73.12
Contractor/Industrial MSW	\$42,088,469	\$63.51
Total	\$47,924,754	\$64.63

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Cost of Service

Summary of Analysis

- **Metro Collects about \$1.1 million more from Public Customers than if the Waste were Delivered in Commercial Vehicles**
- **This is at the Low End of the Estimated Added Cost of Service for the Public**
- **Cost of Service Estimates vary Widely due to Methodology**

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Cost of Service Options

- **Modify Rate Structure to Increase Cost to Public Customers (Small Vehicles)**
 - Increase Minimum
 - Differential Rate
- **Allocate a Portion of Transfer Station Operation Contract Costs to the Transaction Fee and Reduce per ton Rate**
- **Retain Existing Rate Structure**

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2001-2002

Metro Transfer Stations

Estimated MSW Revenues

\$7 Transaction Fee and \$61.68 Tip Fee*

	Revenue	Rate
Volume	1,000,000	\$100.00
Public	\$6,500,000	\$76.48
Total Public MSW	\$6,500,000	\$81.48
Commercial MSW	\$41,000,000	\$63.09
Total	\$47,500,000	\$54.88

*A \$2 increase in the transaction fee can be offset (i.e., total revenue remains unchanged) by an \$0.82 decrease in the \$62.50 tip fee

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Cost of Service

Implications of Adopting \$7 Transaction Fee

- Metro Would Collect about \$1.6 million more from Public Customers than if the Waste were Delivered in Commercial Vehicles
- This is at the High End of the Estimated Added Cost of Service for the Public
- Negative public relations impact

Cost of Service Recommendation

- **Leave Transaction Fee at \$5**
 - \$5 generates adequate revenue
- **RRC Committee Vote**
- **Send Memo to REM Committee**

Rate Review Committee
July 12, 2000

Disposal Charge for Organic Waste at Metro Transfer Stations

Issue

Establish a tip fee for "compostable organic waste" delivered to Metro Central or Metro South transfer stations.

Summary

A cost-driven rate formula for compostable organic waste is proposed. This rate structure is patterned after the "recoverable solid waste" rate formula presently in Metro Code. The specifics of the proposal incorporate recommendations from the Budget Advisory Committee. Among these recommendations are: (1) foregoing the Regional System Fee and Metro excise tax on "compostable organic waste" consistent with Metro's fee policies toward recoverable materials, and (2) provision for a temporarily-reduced organics rate to help get the collection and recovery infrastructure up and running.

Background

- Recovery of food waste is a major component of the Regional Solid Waste Management Plan; and in particular, is necessary to meet recycling goals.
- Metro Council has recently made major commitments to the recovery of organic waste: (a) through adoption by resolution of new initiatives in organics recovery in December 1999; and (b) by fully funding REM's proposed work program for organics in the FY 2000-01 budget.
- An established tip fee for compostable organic materials is an important price signal for developers of organics collection and recovery infrastructure.
- A fee will help implement a regional, multi-hauler pilot project that has just gotten under way. The pilot is expected to generate approximately 5,000 tons of compostable waste during the next 12 to 18 months.
- Metro is developing a Request for Proposals (RFP) for disposal of 10% of the region's waste. The RFP includes provisions for commercial organics processing. The RFP incorporates the use of Metro transfer stations for staging, reloading and possibly on-site processing. A rate for organic material will be necessary to accommodate these activities.
- This issue was brought before the Budget Advisory Committee on October 13, 1999. The BAC asked that its recommendations be brought to the Rate Review Committee. This document meets that request.

recovering and processing Compostable Organic Waste; or

(2) The sum of:

(i) The Regional Transfer Fee as defined in Section 5.02.025 (b) (2) of this chapter, plus \$0.50 per ton; and

(ii) The transport and processing charges for Compostable Organic Waste paid by Metro or its contract operator, expressed on a per-ton basis; and

(iii) The cost of materials utilized at Metro Central Station and Metro South Station for managing the Compostable Organic Waste, expressed on a per-ton basis.

(c) Notwithstanding the Compostable Organic Waste Disposal Charge as calculated in subsection (b) of this section, the Director of the Regional Environmental Management Department may establish a reduced disposal charge for Compostable Organic Waste. This reduced disposal charge shall be calculated pursuant to subsections (b) (1) or (b) (2) of this section, but shall be based on costs that are expected to prevail on July 1, 2003 rather than Metro's actual costs for managing Compostable Organic Waste. Prior to implementing any reduced Compostable Organic Waste Disposal Charge, the Director of the Regional Environmental Management Department shall provide a report to Metro Council stating the costs that are expected to prevail on July 1, 2003 for managing Compostable Organic Waste. The provisions of this subsection are repealed June 30, 2003.

(d) The Compostable Organic Waste Disposal Charge shall be in lieu of all other base disposal charges, transaction fees, user fees, regional transfer charges, rehabilitation and enhancement fees, and certification non-compliance fees that may be required by this chapter.

(e) Notwithstanding subsection (b) of this section, the Director of the Regional Environmental Management Department may establish a minimum charge for loads of Compostable Organic Waste.