



METRO

MEETING: RATE REVIEW COMMITTEE.

DATE: January 31, 2001

DAY: Wednesday

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

PLACE: Metro Regional Center
Room 270

AGENDA

1. Call to Order and Roll Call (5 min).....*Councilor Atherton*
2. Expectations and Goals of the Committee (10 min).....*Councilor Atherton*
3. Fiscal Year 2001-02 Tip Fee Recommendation (60 min).....*Tom Chaimov*
Action requested: Recommend regional system fee and Metro tip fee for FY 2001-02.
4. Future Agenda Items (10 min).....*Maria Roberts*

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

Enclosures:

- A. October 25, 2000 RRC meeting minutes
- B. Table: Policy implications of rate decisions
- C. Rate Review Committee schedule and related activities

Distribution (with attachments)

Councilor Bill Atherton	Dean Kampfer
Jim Strathman	Paul Matthews
Jerry Powell	Dave White
Bernie Deazley	

TC:gbc

cc (w/o attachments): Interested Parties

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MEETING SUMMARY
RATE REVIEW COMMITTEE
Metro Regional Center – Room 370
October 25, 2000

Present:

Members

Dean Kampfer
Bernie Deazley
Paul Matthews
Jerry Powell
Steve Schwab
James Strathman

Metro

Terry Petersen, Director, REM
Councilor Rod Park
Maria Roberts, Budget & Finance Admin.
Doug Anderson, Waste Reduction,
Planning, & Outreach Manager
Leann Linson, Business &
Regulatory Affairs Mgr
Jim Watkins, Environmental & Engineering
Services Manager
Tom Chaimov, Budget & Finance
Janet Matthews, Policy & Program Mgr
Karen Feher, Financial Planning

Guests

Ray Phelps, Allied Waste
Eric Merrill, Waste Connections
Lynne Storz, Washington Cty.

Members Absent:

Councilor Ed Washington, Chair

Terry Petersen called the meeting to order, explaining that Councilor Washington had a scheduling conflict and would be unable to attend. Councilor Park joined the meeting as an observer.

Approval of Minutes

Steve Schwab moved to approve the September minutes; Bernie Deazley seconded the motion, and the Committee members present unanimously agreed.

Regional System Fee

Mr. Petersen briefly reviewed what had been discussed in previous meetings. The Committee's advice is needed regarding whether to maintain or raise the current Regional System Fee (RSF), which funds solid waste-related programs. He introduced Tom Chaimov, who began a presentation explaining two scenarios developed by staff:

- A. "Status Quo", leaving the RSF at \$12.90, and
- B. "Scenario One," raising it to \$14.50. (See attached for explanations.)

He noted that if the Committee had other scenario ideas, they'd be looked into, as well.

Mr. Petersen explained that currently, if the RSF had to cover expenses, it would be at \$14.80, but the difference is being made up from the contract savings.

Councilor Park asked what recycling rate is used in the forecasts; Mr. Chaimov answered that the average of the last two months' recovery at Metro facilities. The scenarios assume a status quo recovery rate; if recovery improves, tonnage will go down, therefore precipitating a rise in the tipping fee. (Note: Mr. Chaimov has since reconsidered his answer and informed Councilor Park that the tonnage projections include an annual regional recovery rate increase equal to the historical average, about 0.5% per year.)

Status Quo: Leaving the RSF fee at \$12.90 would delay cost increases at the MRFs, as well as fee increases at landfills. It would draw down the Undesignated Fund Balance more quickly. However, it also could cause a misperception by the public.

Scenario One: Raising the RSF would enable the cost of regional programs to be spread more evenly, allow the tip fee to remain unchanged for an extra year, and be a good waste reduction incentive.

Mr. Chaimov pointed out that there was a mistake in Enclosure C of the agenda packet. #2 should have been 3.7 million, not 2.5 as shown.

He explained that each year, the Department has to plan for five years' funding for Capital Improvement projects. Until now, because some planned projects were delayed, existing Capital Reserves have been sufficient, and it hasn't been necessary to raise the rates.

In answer to a question, Mr. Petersen explained that the currently, \$4 of the tip fee goes directly to pay for regional programs, because the RSF doesn't bring in enough to fund them.

Would raising the transaction fee help? Maria Roberts answered that raising the transaction fee by \$1 would help keep the tip fee at \$62.50 one more year.

It was suggested that perhaps the tip fee could be lowered, but the RSF and transaction fees both raised, but another member maintained that simply raising the RSF would be the most equitable.

Where did the money in the Undesignated Fund Balance come from? Ms. Roberts said it grew from some Fiscal Years coming in under-budget, or underestimating the amount of tonnage coming in. One member commented that the balance could be bought down faster if the fee was lowered. Assign fee costs logically, increase the RSF and lower the tip fee. Mr. Schwab isn't comfortable with the feeling that moving fees \$1 or \$2 up and down might upset the public. Just do what needs to be done – the public wants fiscal responsibility.

Further discussion of the graphs and scenarios followed. Lynne Storz of Washington County said that for recycling statistics, she would prefer to see the RSF go up. Dean Kampfer countered that even if the Metro tip fee doesn't go up, other facilities' fees will if the RSF is raised.

The group then discussed equity issues concerning buying-down the Undesignated Fund balance, and movement towards cost-based fees, phased in over time. However, the group was reminded that the impact any fee reductions might have on waste reduction are a big concern.

After continuing discussion, Mr. Kampfer said he was leaning towards keeping the status quo. Guest Eric Merrill commented that the increasing cost of Metro programs seems to be driving up the RSF. It makes more sense, Mr. Merrill suggested, to raise both the RSF and the tip fee so that all facilities (including Metro transfer stations) raise rates at the same time.

Paul Matthews felt strongly that a cost-based fee system is best; people would then understand the true costs of regional programs. He suggested phasing this type of system in slowly to avoid major business disruptions.

Steve Schwab said he liked the Status Quo scenario because it would buy down the Undesignated Fund Balance faster, yet he dislikes the Status Quo scenario because the tip fee at Metro facilities doesn't reduce. Therefore, he said he was leaning towards Scenario One because it keeps the tip fee steady longer.

Mr. Kampfer reiterated that he prefers to keep the Status Quo. Mr. Schwab disagreed, and the discussion became somewhat lively. Mr. Petersen offered that he could take the Committee's "higher policy objective" thoughts to Council if they preferred. The group then discussed some of the rate history for the benefit of the newer committee members.

In the end, The Committee decided not to make a decision because of split opinions:

- Mr. Schwab said he could support either keeping or raising the current RSF, though he prefers Scenario 1, which would raise it.
- Mr. Powell had the same opinion, supportive of either, though leaning towards raising the RSF.
- Dr. Strathman would like to keep the Status Quo scenario.
- Mr. Kampfer, too, prefers Status Quo.
- Mr. Deazley is partial to Scenario 1, raising the RSF.
- Mr. Matthews would like another scenario, and perhaps a further meeting.

Mr. Petersen said staff would get in touch with Committee members individually to see if there are other scenario options before scheduling another meeting at this time. The Committee agreed to that idea.

gbc

Attachments

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Assuming current cost allocation, budget projections, planned capital projects, and cost of living increases, following are the Policy Implications of Rate Decisions

	EQUITY	TIP FEE	UNDESIGNATED RESERVES
<p>FY 2000-01</p> <p>CURRENT SITUATION</p> <p>\$12.90 REGIONAL SYSTEM FEE</p> <p>AND \$62.50 TIP FEE</p>	<p>Metro transfer station customers effectively pay \$17.00 to support regional programs. Exempt facilities and non-Metro customers pay \$12.90 to support regional programs, about \$4.00 less than Metro customers.</p>	<p>RSF insufficient to recover all regional program costs, so shortfall is made up via an additional \$4.00 per-ton paid by customers of Metro's two transfer stations.</p>	<p>Expected year-end fund balance of about \$6.0 million.</p>
<p>FY 2001-02</p> <p>MAINTAIN \$12.90 REGIONAL</p> <p>SYSTEM FEE AND</p> <p>\$62.50 TIP FEE</p>	<p>Metro transfer station customers effectively pay \$14.68 to support regional programs. Exempt facilities and non-Metro customers pay \$12.90 to support regional programs.</p>	<p>\$62.50 Metro Tip Fee can be maintained through FY 2001-02.</p> <p>About half of the \$4.00 that Metro customers were paying in FY 2000-01 will in FY 2001-02 go toward the increased cost of transfer and disposal. The other half will pay for regional programs.</p>	<p>The RSF is insufficient to recover all regional program costs, so shortfall is made up by about \$2.8 million subsidy from the Undesignated Fund balance.</p> <p>Balance will be depleted during FY 2002-03.</p>
<p>FY 2001-02</p> <p>INCREASE REGIONAL SYSTEM</p> <p>FEE TO \$14.50 AND MAINTAIN</p> <p>\$62.50 TIP FEE</p>	<p>Metro transfer station customers effectively pay \$14.69 to support regional programs. Exempt facilities and non-Metro customers pay \$14.50 to support regional programs:</p> <p>Approximate equity between Metro and non-Metro is achieved. The full unit cost of regional programs is \$15.79.</p>	<p>The \$62.50 Metro Tip Fee can be maintained through FY 2002-03 by subsidizing Metro customers that year. Will require review of cost & revenue allocation methodology.</p> <p>Only \$0.19 per ton (or \$100,000 total) of Metro customers' disposal fee is available to support regional programs.</p>	<p>Shortfall for regional programs is made up mainly by about \$1.5 million subsidy from the Undesignated Fund balance.</p> <p>The balance will be depleted during FY 2004-05.</p>
<p>FY01-02</p> <p>INCREASE REGIONAL SYSTEM</p> <p>FEE TO \$15.79 AND MAINTAIN</p> <p>\$62.50 TIP FEE</p>	<p>Metro transfer station customers, exempt facilities and non-Metro customers pay \$15.79 (full unit cost) to support regional programs: equity between Metro/non-Metro is achieved. Regional programs are fully funded by the Regional System Fee.</p>	<p>\$62.50 Metro Tip Fee can be maintained through FY03-04 by subsidizing the cost of disposal at Metro transfer stations every year. If disposal fees at Metro transfer stations also increase to unit cost, by definition, cannot be maintained.</p>	<p>Balance will be depleted during FY04-05. If disposal fees at Metro transfer stations also increase to unit cost (implying a higher tip fee), then the Undesignated Fund balance will remain relatively constant (i.e., no subsidy is required).</p>

**DRAFT RATE REVIEW COMMITTEE SCHEDULE
AND RELATED ACTIVITIES**

Rate Review Committee	Related Activities
Jan-01	
Jan-31	
Meeting FY 2001-02 Regional System Fee and Metro Tip Fee Issues for future Committee consideration: Rate Structure Review	
Mar-01	
Mar-28	
Meeting Overview of rate-setting practices: Metro's rate-setting methodology Costs classification: variable and non-variable (dependent or independent of tonnage) Cost allocation bases Allocation of revenues other than the tip fee Cost-of-service issues related to self-haulers: Transaction fee	
May-01	
May-23	
Meeting Analysis of Cost and Revenue Allocation Procedures: Balancing competing rate objectives Rate equity versus rate stability Reevaluate procedures in light of new regional transfer stations Reevaluate transaction fee Five-year financial projections of rates and reserve funds using allocation methodology Opportunities and Challenges: Opportunities for enhancing current procedures	
Jul-01	
Jul-25	
Solid Waste Disposal Rate Issues: Guidelines for FY 2002-03 Disposal Rates	
Sep-01	
Sep-26	
No Meeting	Meeting -Budget Advisory Committee
Oct-01	
Oct-10	
No Meeting	Meeting -Budget Advisory Committee
Oct-24	
No Meeting	Meeting -Budget Advisory Committee
Nov-01	
Nov-12	
Possible review of rates pending strategic plan outcome	REM submits Budget Request for FY 2002-03