

MEETING: RATE REVIEW COMMITTEE

DATE: July 11, 2001

DAY: Wednesday

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

PLACE: Metro Regional Center
Room 501

AGENDA

1. Call to Order and Approval of June 27, 2001 minutes (10 min) *Councilor Atherton*
2. Recap of Last Meeting (10 min) *Atherton/Petersen*
3. Cost-based Allocation (15 min) *Tom Chaimov*
 - *The potential impact on fees of "user pays" allocation will be presented.*
4. Policy Rationale Underlying Preferred Allocations (30 min) *Terry Petersen*
 - *Policy rationale of deviations from a strict "user pays" allocation will be presented.*
5. Next Steps (10 min) *Atherton/Petersen*
 - *Action Requested: Agree on next meeting date, agenda items.*

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

Distribution (with attachments)

Councilor Bill Atherton
Jim Strathman
Jerry Powell
Bernie Deazley

Dean Kampfer
Paul Matthews
Mike Leichner

TC:gbc

Attachments

cc (w/o attachments): Interested Parties

s:\share\dept\rate review comm\2001\trc071101aga.doc

MEETING SUMMARY
RATE REVIEW COMMITTEE
Metro Regional Center – Room 370
June 27, 2001

Present:

Members

Councilor Bill Atherton, Chair
Jerry Powell
Paul Matthews
Jim Strathman
Dean Kampfer
Dave White (for Mike Leichner)

Metro

Terry Petersen, Director, REM
Maria Roberts, Budget & Finance
Tom Chaimov, Budget & Finance
Karen Feher, Financial Planning

Guests

Ray Phelps, WRI
Eric Merrill, Waste Connections
Lynne Storz, Washington Cty.
Dan Schooler, Waste Connections
Easton Cross, BFI

Members Absent:

Mike Leichner

Councilor Atherton called the meeting to order. It was noted that a new nominee to the Committee, Mike Leichner of Pride Disposal, was unable to attend this meeting. Councilor Atherton approved the substitution of Dave White in his place, as Mr. White assured the Committee that he had spoken in-depth with Mr. Leichner, and the views he would express would be much the same as Mr. Leichner's.

The Councilor then asked for approval of the last meeting's minutes. Dean Kampfer was unclear about a reference in the minutes to a "split decision." After brief discussion, it was agreed the minutes would be amended. They will now read *"Tom Chaimov said that at the October 25, 2000 Rate Review Committee meeting, arguments had been made for and against both tip fee options presented at that time. The October 25, 2000 meeting, therefore, ended without resolution to that issue."*

Terry Petersen explained that he hopes a rate decision can be made before the normal January deadline (when Council traditionally votes on the next fiscal year's rate). He described rate events from the last ten years, using a document entitled "Rate History" that was distributed to the attendees. Last fiscal year, Mr. Petersen added, some internal transfers for support costs totaling approximately \$1 million were reallocated from the Regional System Fee (RSF) to the Metro Facility Fee in order to hold the RSF at \$12.90. He said that he'd like the Committee to consider whether or not to continue that in the future rate.

Councilor Atherton added that he'd like the group to look at the inter-connectedness of the rate with other things the agency is doing. Tonnage caps, licensing of new facilities, the desire to be tonnage-neutral, etc. Paul Matthews commented that he would like at some point to have more information about the inter-connectedness. For instance, he said that he's unclear about what tonnage neutrality means. Committee members don't necessarily know what such issues are, and therefore might not see the interconnectedness, which would be helpful. Councilor Atherton said that could be discussed tonight, as well.

Tom Chaimov began his presentation with reviews of the Rate-Setting Criteria and a ten-year history of rate policy changes. Also in the agenda packet, he pointed out, was a page entitled "Opportunities for Future Allocation Changes," outlining four cost components that could be considered for reallocation from their current position to the RSF.

Mr. White expressed a desire to revisit the concept, related to Debt Service, of Metro as the "disposal of last resort." With so many disposal options now available, it may no longer be a valid point. Mr. Matthews added that he'd like the Committee to see what all actual costs are and then see how they fit with the larger policy issues. "If we're looking at allocations," he said, "each one of these line items (the listed cost causations) I would think we ought to examine, whether they're already adopted or not." He feels that the responsibility for some items may need to be split, such as Contingency.

Maria Roberts explained that the historical Contingency issue mentioned in the attachment was a one-time-only problem. In FY 1991-92, regional tonnage had been over-estimated to the extent that Metro was left with no reserve funds. Mr. Petersen said that there is sufficient Contingency right now, so none of those costs are being built into the rate.

There was discussion about allocations and the rate-setting criteria. Mr. Petersen said that the criteria gives the Committee some clear direction from the Council. A comment was made that the third listed criterion, "Equity," should be focused on, which would give a set of principles to drive allocations. After that was looked into, the Committee could look at the other criteria and see how the results fit them, rather than try to do it all at once. Councilor Atherton agreed, and said that was one of the goals for this meeting, but that there will always be some judgment calls to be made.

The Councilor continued that the Debt Service issue, for instance, is a regional responsibility. "We have to take care of, stand for the decisions of our predecessors, for better or for worse sometimes." The issue of "facility of last resort" was again brought up. "If the policy is just to make Metro less sensitive to losing some waste", Mr. White commented, "that's not a regional decision. That's a policy decision." Jerry Powell disagreed. He said that before the system changed and grew, citizens needed the transfer stations Metro built. When the debt was incurred, St. Johns Landfill was closing and Columbia Ridge was opening. The decision was made then to go with two transfer stations rather than a local landfill, and it's the obligation of the industry and generators and rate-payers to pay that off on a system-wide basis. The reason transfer and long-haul disposal was decided upon was that there was a true disposal crisis within the region. There was nowhere to go. Now, the industry has responded well with transfer and with other disposal options, but debt service should not be reallocated away from a region-wide approach when the decision was made early on to have a regionalized system. At that time, it wasn't a matter of facility of last resort – it was the only resort, and that debt still exists, though the system has changed dramatically. The fiscal responsibilities incurred at that time should still be honored region-wide. Mr. Kampfer agreed to a degree, but more options have opened up. Perhaps now it's time to split that cost; perhaps there's some shifting possible as the system changes.

After further discussion of baselines and allocations, Mr. Petersen stated that the hope was to use the current allocations as the baseline and work from that. It's much more complex issue than taking a single criterion. Councilor Atherton then began to go down the list of Rate Components included in the agenda packet as "Enclosure C-2" and ask the group if each applies region-wide. A spirited discussion ensued about items such as Office of the Director: Is it entirely region-devoted? What about duties associated with Metro's own facilities? Since customers coming to Metro transfer stations pay the same RSF as at other facilities, Metro's facilities contribute their share to rate components.

To a comment that Metro is in competition with other facilities, it was countered that Metro's facilities are a construct of state law and must meet the requirements of the region's needs, whereas private companies have more choices of which needs are or are not addressed, such as waste reduction programs and hazardous waste disposal. As one member commented, if the base is chipped away, how will important progressive, proactive aspects of solid waste management continue? Another countered that Metro is both "a regulator

and a participant," which can lead to tipping the balance of the system to an unfair advantage. Others saw no basis for alleging this. Metro facilities provide, for example, seven-day disposal availability to citizens not to compete, but because it is needed, whereas private facilities have more choices as to what services they offer.

Returning to the list of rate components, the group seemed to agree (though not everyone voiced an opinion) that Hazardous Waste Management and Disposal is a region-wide benefit. The issue of Debt Service, however, came up again. Mr. Kampfer said he agrees it's 100% to benefit the region, but Mr. Matthews disagreed. He feels the Debt Service should be paid by the customers using those particular facilities. Mr. Chaimov pointed out that the public owns the facilities, regardless of whether they use them. Mr. Petersen added that the facilities do not run on a user-charged system, and over time, the system has moved even further from that because of other policy objectives. Just like other public assets, Mr. Powell interjected, the facilities are available for citizen's use, whether or not individuals choose to use them. Even someone who is an avid recycler and composter and doesn't have garbage should still pay towards Debt Service because of that availability. It's a service that is available to all citizens and businesses, he concluded. Councilor Atherton said it's a decision that was made in the past that is still the region's responsibility.

Jim Strathman asked "If Debt Service were in the Metro Facility Fee and not in the Regional System Fee, wouldn't the world look completely different today in terms of self-haul and the existence of private facilities?" He said that now that these functions are in place, he thinks it's inappropriate to go back in and "change the rules." Mr. Kampfer asked if Debt Service pertained only to the Metro transfer station facilities, or if Metro Regional Center was part of that. Both Mr. Petersen and Councilor Atherton verified that Debt Service is strictly payment of the bonds for the transfer stations. There are nine years left of payments.

Bernie Deazley voiced his agreement that the facilities are for the public good, and that Metro should stay true to the original decision. Mr. Kampfer agreed, since it is strictly for payment of the bonds and not for Metro's headquarter offices.

Councilor Atherton moved on to the Waste Reduction and Regional Planning line item. Mr. Matthews asked if the Waste Reduction Grants line item could be combined with that. Mr. Petersen said that they are both part of Metro's Waste Reduction Program. There was no argument voiced on the regional merit of these items.

Internal Transfers for Support and Space: This item may be put into the RSF; it's open for discussion. Mr. Matthews asked if there is a way to allocate these costs by project. Ms. Roberts explained that these are transfers to other departments who support the work of the REM department, not costs associated with REM staff projects. Accounting, Executive Office, Counsel, and others – any department whose services support REM. Mr. Matthews asked, however, if it was possible to break it down into work done for the region, and work done for Metro facilities. Mr. Petersen said it's possible, but questioned how much value would be added by going through that process. In accordance with the equity principal, an estimate of one-third / two-thirds (for example, FTE of two-thirds at headquarters, one-third at the facilities) is largely accurate. Detailing further than that probably won't bring it significantly closer than that. Mr. Kampfer said he thinks that split sounds reasonable.

Finance/Support Services: Mr. Matthews recommend this item be treated as an indirect cost.

Public Outreach and Education: This includes a lot of work with schools. No comments were made against this being a regional service.

Landfill and Environmental Management: St. Johns Landfill closure and maintenance costs. No disagreement voiced to this being under the RSF.

Enforcement and Regulatory Affairs: No opposition raised to this being a regional benefit.

Facility Improvements and Repair: Some discussion followed on this item. While the transfer stations were built because of public need at the time, clearly they need to be maintained and improved. At the same time, this is a transfer station cost to keep the doors open. Mr. Petersen added that this might better be named "Engineering and Analysis" or "Engineering and Technical Support" because it includes contract administration, engineering, and other items. Is this item regional or facility-focused? Should it be split between the two? One comment leaned towards "split", but no others were made.

Other Internal Service Fund Transfers: Ms. Roberts said that this item includes the Planning Department's support to Metro Recycling Information, direct transfers to legal services, auditor, etc. Mr. Petersen said that there's a general pool of support services allocated back to the various departments based on employee square footage, etc, and additionally, special requests for legal help, mapping, and other services. Mr. Powell remembered going over that in the Budget Committee. Mr. Matthews recommended that Metro Recycling Information be designated as regional, but the remaining portions be allocated as much as possible directly, with the rest indirectly.

Mr. Powell commented "I'd point out on a budget note, that the industry ought to be thanking Metro for spending \$4.2 million to keep your landfills and your workers safe; spending \$1.65 million which includes the Recycling Information office that feeds you customers, and explains to any citizen who calls who their garbage hauler is." He went on to say there's a variety of services Metro helps provide, such as the Thrift Credit Program that hires haulers to take bulky waste out of neighborhoods.

Councilor Atherton asked if the Internal Transfers benefit the transfer stations themselves at all. Mr. Petersen said that if complete detailing were done, there would be some costs specific to the transfer stations. The question is, how detailed are we able to spend the time and money to go? If equity were the only criterion to be considered, it would be worth it, he continued, but since there are many other criteria involved, it seems unnecessary to have staff go back through and reiterate costs. Councilor Atherton commented that quite a bit of disagreement seemed to be centered around relatively small items, and he asked to move ahead to some others.

Mr. Kampfer added that from the figures presented, "it's fair to say that the Metro Facility Fee isn't over-charged. I think we can draw that conclusion."

Miscellaneous Transfer Station Maintenance, and Renewal & Replacement Contribution: These items are tied directly to the bonds for upkeep of the transfer stations. It's used to replace compactors every several years, re-surface the pits, replace recycling equipment, hazardous waste equipment - repair or replace all equipment at the stations and at the St. Johns Landfill. Councilor Atherton said his first inclination was that this should be under the RSF column; Mr. White commented that he wasn't surprised. They discussed who should pay it. Since the amount of tonnage going through the stations drives this figure, it does seem more tied to the business of garbage - the compactors, for instance, have to be replaced eventually because they are being used. Conversely, if there were no compactors, there would be no transfer stations, which would go against the bond issue. The bond issues clearly call for such contributions. Because of the St. Johns Landfill tie-in, however, a portion may be able to be separated. Miscellaneous Transfer Station Maintenance is for smaller items (under \$50,000) - lights, etc.

The next section of Enclosure C-2, "Metro Costs that Vary with Tonnage" consists of contractual items. There is, however, an avoided-cost item: Recovery Incentive. Discussion ensued about how this an avoided cost. Mr. Matthews asked if such a recovery effort wasn't a part of waste reduction, therefore a regional service. Mr. Petersen said that it could certainly be removed from a future contract; it's price-neutral to Metro, but the transfer station operators would then do less recovery, which would be disappointing. More discussion ensued about why it should and shouldn't be linked to Waste Reduction, having to do with exactly how the money changes hands between Metro and BFI for this recovery. Why not put it in with the Recycling Credits program? Eric Merrill commented that it would be counter-productive. He agreed with Mr. Petersen, that it's set up as an incentive to the transfer station operation to not landfill recoverable items. He feels it would be "a real mistake to take it out of the criteria that it's in right now." Mr. Kampfer explained that the dollar amount is truly revenue-neutral to Metro – it either gets paid to the landfill if it's not recovered, or to BFI who pulls it out.

General discussion of revenue offsets, and some budget history. A few years ago, one entire FTE was devoted to figuring out allocations for hundreds and hundreds of detailed line items. The current system is a simplified one. Mr. Matthews said it may be too simplified now.

Councilor Atherton asked if Mr. Petersen and Mr. Chaimov could sum up the meeting. Mr. Petersen replied that based on tonight's discussion, he would like to come back with a "base-case" scenario based on current allocations and another scenario into which some of tonight's discussion is incorporated. Not everything will be able to be changed, but the larger issues will be addressed.

After some general discussion, the meeting adjourned at 8:25 p.m.

gbc
Attachments
s:\share\dept\rate review comm\2001\rrc062701min.doc

Enclosures

July 11, 2001 Rate Review Committee Meeting

1. Allocation of the REM Budget Lines to Rate Components: An Explanatory Note
2. Rate Component Detail
3. Comparison of Revenue Requirements
4. FY01-02 Budget description of budget lines

Allocation of the REM Budget Lines to Rate Components An Explanatory Note

Overview

The policies underlying the structure of Metro solid waste fees is explained. Also explained are the reasons why these solid waste fees are not consistent with their historical structure.

Two Fees for Two Types of Services

Metro provides two basic types of solid waste services:

Regional services that support the management of the regional solid waste system for the benefit of all citizens. These services are provided as a matter of state law and the Regional Solid Waste Management Plan, and include waste reduction, hazardous waste collection and disposal, landfill closure and monitoring, illegal dumpsite monitoring and cleanup, solid waste facility regulation, etc.

Disposal services that includes the ownership and operation of two major transfer stations.

Metro has two basic fees to recover the cost of providing these services:

Regional System Fee (RSF) recovers costs of regional services, and is levied on all solid waste that is generated in the region, regardless of where it is disposed of. The RSF is a broad-based fee, and is paid by all persons in the region who dispose of solid waste.

Metro Tip Fee (MTF) recovers the cost of disposal services, and is charged only to customers of Metro's transfer stations.¹ The Regional System Fee is a component of the Metro Tip Fee, just as the Regional System Fee is a component of the tip fees at other disposal sites serving the Metro region.

The costs of the various services have the following characteristics:

Regional services do not vary with tonnage; all costs are fixed. The level of waste reduction, hazardous waste, landfill stewardship, illegal dumpsites, and regulation do not depend on disposal levels.

Disposal services contain both fixed and variable components.

Components that vary with tonnage include:

- Transfer operations
- Fuel
- Material recovery
- Disposal
- Transport
- Misc. disposal (e.g., tires)

¹ The Metro Tip Fee is in fact a 2-part fee: a fixed charge per transaction (currently \$5) and a variable charge based on the size of the transaction (currently \$62.50 per ton).

Components that do not vary with tonnage include:

- Scalehouse operations
- Station management
- Renewal & replacement

Policies Underlying the Cost Allocations

When Metro established its 2-fee system in the 1980s, Metro was the major provider of disposal services (and the only provider of regional services) in the region. However, over time, an increasing share of the market has come to be served by private operators. By 1997, public and private operations in the disposal market had begun to overlap significantly. At this time it was also clear that additional major transfer facilities might be needed in the future, both to serve the growing market and to help contain costs in an increasingly congested region. However, in the 1995 Regional Solid Waste Management Plan, Metro adopted a policy that no public money would be invested in new disposal facilities. Among the key questions during 1997-98 was: how to design a sound fiscal system that allowed private operators to access an increasing share of the market, without stranding public investment.

The design of such a fiscal system was among the elements of Metro's comprehensive review of solid waste management practices in 1998. In consultation with the Solid Waste Advisory Committee and the Rate Review Committee, Metro established policies for allocating program costs to the various revenue bases. These policies were designed to provide stable and predictable rates that also retained an incentive to reduce waste, while supporting the private solid waste system without stranding public investment. These policies are:

- *Fixed costs directly associated with providing disposal services* will be recovered from users of those disposal services—Metro transfer station customers. To this end, the transaction fee was established at this time.
- *Variable costs of disposal services* will be recovered from the users who cause those costs—Metro transfer station customers. These costs comprise the basic Metro Tip Fee.

During the 1998 policy discussions, Metro decided to keep its transfer station sinking fund contributions ("Renewal and Replacement") in the tip fee, as the major component of this cost was for compactor replacement. Because there would be diversion of waste from Metro transfer stations in the near future, it was expected that wear-and-tear on the compactors would diminish, making the Renewal and Replacement contribution more like a variable cost for a period of time.

- *Costs of regional services* will be recovered from the beneficiaries of those services—namely, regional citizens and businesses. These costs comprise the basic Regional System Fee.

The recovery of regulatory costs was debated during the 1998 policy discussions, at both the Solid Waste Advisory Committee and the Rate Review Committee. The committees debated whether costs should be recovered from beneficiaries, or from

those who cause the cost. Both committees advised that basic police power regulation should be borne by those who cause the cost (i.e., the regulated community). However, because Metro's regulatory program is much broader in scope—encompassing not only the public health and safety, but also compliance assistance and a commitment to an environmentally sound and recovery-oriented solid waste system—the committees argued that it was most appropriate that beneficiaries bear the costs of the program. Accordingly, the cost of regulatory programs are allocated to the Regional System Fee, not the facilities' franchise fees.

- *Costs associated with investments that guarantee the provision of disposal infrastructure, and made on behalf of the general public*, will be recovered from the general public—namely, regional citizens and businesses. Included in this category is debt service on the transfer station bonds. (Formerly, fixed annual payments to Metro's disposal and transport operators were also included, as these payments reserved space in the landfill and guaranteed first priority on rolling stock, respectively. However, Metro has negotiated these payments out of the contracts, so these costs are no longer incurred.) Accordingly, debt service is allocated to the Regional System Fee.
- *Administration, space rent, legal, accounting, and other overhead costs* were allocated to the RSF, on the basis that these costs are caused mostly by regional programs, and the marginal cost of servicing disposal would be outweighed by the cost of accounting for allocation factors. (Recall that the costs of direct transfer station management are recovered completely in the Metro Tip Fee).

The Current Situation

At present, the allocation policies above are not followed exactly. This situation arose after Metro negotiated significant cost reductions in two of its major contracts (transport and disposal) in 1999. However, the Metro Council was concerned that fully reflecting these cost savings in the Metro Tip Fee would upset the economics of the private facility system and negatively impact waste reduction incentives. Accordingly, the Metro Council has chosen not to change the Regional System Fee and Metro Tip Fee since 1998.

Since then, revenues collected in excess of costs through the Metro Tip Fee have been used to subsidize the shortfall in revenues for regional programs. Revenues and costs have been in overall balance until now. However, the ability of Metro transfer station users to subsidize regional programs is at an end, given recent inflation (particularly in fuel prices), increases in waste reduction and hazardous waste services, and a significant shift of tonnage from Metro transfer stations.

Rate Component Detail

(Approved Budget FY 2001-2002)

Enclosure 2

	Regional System Fee (RSF)	Metro Facility Fee	Regional Transfer Charge	Transport/ Disposal	Total/ Rate
	(In \$000s)				
Revenue Requirements					
Regional Services & Programs					
(Do not vary with tonnage)					
Administration					
Office of the Director	\$529	\$0	\$0	\$0	
Regulatory Affairs	346				
Enforcement	445	0	0	0	
Finance/REM Support Services	1,694	0	0	0	
Internal Transfers for Support & Space *	2,032	1,067	0	0	
Internal Transfers for Recycling Information Center Support and Direct Legal Services	598	0	0	0	
Hazardous Waste Management & Disposal	4,236	0	0	0	
Engineering & Analysis	779	0	0	0	
Landfill & Environmental Management	911	0	0	0	
Regional System Fee Credit Program	900				
Thrift Credit Program	353	0	0	0	
Waste Reduction & Regional Planning	2,154	0	0	0	
Waste Reduction Grants	2,150	0	0	0	
Public Outreach & Education	1,650	0	0	0	
Debt Service	2,732	0	0	0	
Subtotal Regional Services & Programs	\$21,509	\$1,067	\$0	\$0	\$22,576
Disposal Services					
Metro costs that do not vary with tonnage					
Misc. Transfer Station Maintenance **	0	162	0	117	
Renewal & Replacement Contribution	0	730	0	0	
Subtotal	\$0	\$892	\$0	\$117	\$1,009
Metro costs that vary with tonnage					
Transfer Station Operation (BFI)	\$0	\$0	\$4,917	\$0	
Recovery Incentive (BFI)	0	0	0	1,398	
Transport to Columbia Ridge (CSU)	0	0	0	8,009	
Disposal at Columbia Ridge (WMI)	0	0	0	12,153	
Fuel	0	0	0	1,070	
Miscellaneous Transport & Disposal	0	0	0	0	
Subtotal	\$0	\$0	\$4,917	\$22,630	\$27,547
Subtotal Disposal Services	\$0	\$892	\$4,917	\$22,747	\$28,556
Total Revenue Requirements	\$21,509	\$1,959	\$4,917	\$22,747	\$51,132
Less: Revenue offsets					
Miscellaneous	591	0	0	381	
Interest	772	77	99	460	
Disposal Fee from Direct-Haul	0	0	0	623	
Fund Balance (contracts carryover)	305	0	0	0	
Total Revenue Offsets	\$1,668	\$77	\$99	\$1,464	
Total Required from Rate (Requirements less Revenue Offsets)	\$19,841	\$1,882	\$4,818	\$21,283	\$47,824
Tonnage Base	1,221,000	673,772	673,772	673,772	
Per-ton Unit Cost (Net of Excise Tax)	\$16.25	\$2.79	\$7.15	\$31.59	\$57.78
Rehab & Enhancement/DEQ Fees					<u>\$1.74</u>
Calculated Base "Rate"					\$59.52
Excise Tax/ton					<u>\$5.04</u>
Total Calculated Metro "Tip Fee"					\$64.56

* Per Ordinance 99-823A --Reallocation of administrative costs from the RSF fee to the Metro Facility Fee.

** Scale House Operations are funded by the Transaction Fee (\$1,668), except for \$162

Costs shown in boxes may offer an opportunity for reallocation

Comparison of Revenue Requirements
and
Calculation of the Regional System Fee
(FY 1999-00 and FY 2000-01)

Description	Expenses (\$000s)		Change
	FY 1999-00	FY 2000-01	
Regional Services & Programs			
Administration			
Office of the Director (OD)	443	481	38
Regulatory Affairs	162	256	94
Enforcement	445	430	(15)
Finance /REM Support Services (B&RA)	1,283	1,760	477
Internal Transfers for Support & Space	2,731	1,994	(737)
Internal Transfers for Recycling Information	537	463	(74)
Center Support and Direct Services to REM			
Hazardous Waste Management & Disposal (ES)	3,295	4,081	786
Engineering & Analysis (E&A)	1,040	751	(289)
Landfill & Environmental Management (E&A)	969	869	(100)
Regional System Fee Credit Program	900	900	(0)
Thrift Credit Program	353	353	-
Waste Reduction & Regional Planning(WRPO)	1,201	2,441	1,240
Waste Reduction Grants (WRPO)	939	1,249	310
Public Outreach & Education (WRPO)	1,517	1,486	(31)
Fixed Payment to Jack Gray Transport	829	-	(829)
Debt Service	2,671	2,635	(36)
Revenue Requirements	\$19,315	\$20,149	834
Revenue offsets			
Miscellaneous	422	548	126
Interest	655	680	25
Fund Balance+Carryovers	900	2,323	1,423
Total Revenue Offsets	1,977	3,551	1,574
Totals Required from Rate (requirements less offsets)	\$17,338	\$16,598	-\$740
Divided by: Regional tonnage base (tons per year)	1,369,360	1,286,222	-83,138
Equals: Base rate	\$12.66	\$12.90	\$0.24
Plus: Metro excise tax*	\$1.08	\$0.00	NA
Equals: Regional System Fee Calculated	\$13.74	\$12.90	NA
Regional System Fee (adopted rate rounded)	\$14.00	\$12.90	

* Excise tax rate 8.5%

The Regional User Fee is levied on all waste that is generated in the Metro area and disposed of for a fee at a transfer station or landfill.

**Comparison of Revenue Requirements
and
Calculation of the Metro Tip Fee
(FY 1999-00 and FY 2000-01)**

Description	Expenses (\$000s)		
	FY 1999-00	FY 2000-01	Change
Costs that do not Vary with Tonnage ("Tier 2")			
Misc. Transfer Station Maintenance	286	340	54
Internal Transfers for Support & Space	-	1,006	1,006
Renewal & Replacement Contribution	723	725	2
Subtotal	\$1,009	\$2,070	\$1,061
Costs that Vary with Tonnage			
Transfer Station Operation (BFI)	4,445	4,726	281
Recovery Incentive (BFI)	857	1,218	361
Transport to Columbia Ridge (STS/CSU)	8,473	7,910	(563)
Disposal at Columbia Ridge (OWS)	17,843	12,560	(5,283)
Fuel	849	1,036	187
Miscellaneous Transport & Disposal	116	38	(78)
Subtotal	\$32,583	\$27,488	-\$5,095
Revenue Requirements	\$33,592	\$29,558	-\$4,034
<i>Less: revenue offsets</i>			
Disposal Fees from Direct-Haul/Reload Facilities	2,638	1,060	(1,578)
Interest	1,193	662	(531)
Miscellaneous	358	382	24
<i>Total Revenue Offsets</i>	<i>4,189</i>	<i>2,103</i>	<i>(2,086)</i>
Totals Required from Rate (requirements less offsets)	\$29,403	\$27,455	-\$1,948

Note: Scalehouse Operations funded by the Transaction Fee

Calculation of Rate

Divided by: tonnage base (tons per year)	678,143	717,132	38,989
Equals: Base rate	\$43.36	\$38.28	(\$5.07)
Plus: Metro excise tax*	3.69	-	(3.69)
Plus: Regional System Fee (adopted, rounded)	14.00	12.90	(1.10)
Plus: DEQ Fees	1.24	1.24	-
Plus: Rehabilitation & Enhancement Fee	0.50	0.50	-
Equals: Metro Tip Fee Calculated	\$62.78	\$52.93	38,979
Metro Tip Fee (rounded)	\$62.50	\$53.00	
Metro Tip Fee (adopted)	\$62.50	\$62.50	
Transaction Fee	\$5.00	\$5.00 per trans.	

Regional Environmental Management
FY 01-02 Budget
Regional Programs Funded by the Regional System Fee

Office of the Director. This program coordinates and directs the work of the REM Department and serves as liaison to Metro's elected officials and other departments. It serves as REM's principal contact for news media, local governments, solid waste industry, and other stakeholders. Strategic planning and communications strategies are developed and managed by this Office. In addition, the Department's legislative and regulatory agenda is coordinated through this office. The budget is approximately \$530,000 per year.

Regulatory Affairs. This program administers Metro's solid waste facility regulations and flow control, and monitors compliance with solid waste regulatory agreements and the Metro Code. In addition, this program evaluates requests for solid waste facility certification, licenses, franchises, non-system licenses, and designated facility agreements. Annual cost of this program is approximately \$345,000 per year.

Enforcement. The primary activity is ensuring proper disposal of waste to protect the public health and safety and Metro's financial interests. Other enforcement activities include citations for illegally disposed waste and cleanup of illegal dumpsites. The cost of this program is about \$445,000 per year, most of which is expended on a contract for services with the Multnomah County Sheriff's office.

Finance/REM Support Services. This category includes finance-related functions for the REM Department, including contract administration, accounts receivable and payable; financial analysis; annual budget and solid waste rate development; administration of the Regional System Fee Credit Program; staff support to the Rate Review and Budget Advisory committees; field audits at non-Metro facilities. This category also includes secretarial, clerical, administrative, records management, and in-house computer support to the Department. Other functions include disbursement of funds for and contract compliance with SOLV, EnviroCorp, the neighborhood matching grant clean-up program, and the disposal fee exemption program.

Internal Transfers for Support & Space. Interfund transfers for the provision of materials and services by other Metro departments are included in this category. Included are legal, accounting, billing, printing, security, computer, risk management, and human resources services; building lease, utilities, and insurance. The total budget for Internal Transfers is approximately \$3.1 million of which \$2.0 million per year, or 66%, is currently recovered through the Regional System Fee. Each department's obligation for funding support services is determined using a state- and independently-audited cost allocation model based on departmental use.

Internal Transfers for Recycling Information Center Support & Direct Services to REM. This category includes transfers to the Planning & Development Fund for support and maintenance of the Regional Land Information System (RLIS) and for geographic services and mapping to support mainly the Metro Recycling Information Center. This category also includes Support Services transfers for direct-cost services to REM for construction management services and legal services. Annual cost: approximately \$598,000.

Hazardous Waste Management and Disposal. In 1989, the Oregon legislature mandated that Metro establish permanent depots for the collection of household hazardous waste. To comply, two facilities were opened on the site of Metro's transfer stations, one in 1992 and another in 1993. In addition to household hazardous waste, these facilities handle hazardous waste isolated from mixed waste delivered to Metro transfer stations; and, since 1993, have been providing service to "conditionally exempt" commercial generators of hazardous waste. During FY 2001-02, the Latex Paint Recycling Facility began operation and expects to collect \$245,000 in revenue from the sale of latex paint. Disposal charges at a hazardous waste landfill are also included in this category. In addition, this budget category includes the health & safety program. This program maintains and monitors facility compliance with all applicable health and safety regulations; provides safety and emergency training; performs risk assessments; and develops, audits, and evaluates programs and procedures designed to reduce injuries and illnesses to workers and the public. Annual cost is approximately \$4.2 million.

Engineering & Analysis. The purpose of this program is to design, plan, and manage capital improvement and replacement projects and conduct operational studies of Metro transfer stations, hazardous waste facilities and the St. Johns Landfill. It also develops and maintains a regional solid waste tonnage database; provides technical support to the Department and external stakeholders, including spatial, statistical, financial, engineering, and capital improvement planning assistance. Annual cost of this program is approximately \$779,000.

Landfill & Environmental Monitoring Services. Currently, this program is in the post-closure stage of the St. Johns landfill closure project. The audited Closure Account as of July 1, 2000 totals \$8.3 million. All major capital projects are funded from this account. The cost of post-closure operating activities recovered from the Regional System Fee include maintenance and monitoring of environmental improvements at the St. Johns Landfill, including water quality monitoring at the Landfill, Smith and Bybee Lakes and other Metro facilities. This program also ensures Metro's compliance with DEQ permit and reporting requirements. Post-closure costs recovered via the Regional System Fee are projected at approximately \$911,000 per year.

Regional System Fee Credit Program. Established in June 1998, the primary purpose of this program was to preserve the region's recovery capacity by maintaining acceptable profit margins at material recovery facilities after Metro lowered its tipping fee from \$75 to \$62.50. The program was designed with an added benefit in that it rewards increased material recovery by offering incrementally higher credits for higher facility recovery. Annual cost of this program is \$900,000.

Thrift Credit Program. The purpose of this program is to administer and distribute disposal credits to non-profit organizations, such as Goodwill and St. Vincent DePaul. Annual cost of this program is \$353,000.

Waste Reduction & Regional Planning. The primary purpose of this program is to develop, coordinate, and assist with implementation of the Regional Solid Waste Management Plan (RSWMP), waste reduction strategies, organics management strategies and programs, and provide technical assistance and market development assistance to local governments. This program also provides program planning, legislative research and policy analysis assistance to the Department. It develops policies and program strategies for the Regional Solid Waste

Management Plan and coordinates all Solid Waste Advisory Committee meetings. Annual cost of the program is approximately \$2.1 million.

Waste Reduction Grants. The purpose of this program is to support existing local government residential and business waste reduction efforts through grants and technical support. Annual cost of this program is approximately \$2.1 million.

Public Outreach & Education. The objective of the this program is to provide information about disposal and recovery alternatives, and promote waste prevention and recycling practices to businesses, students, and the general public through educational programs. As part of the this program, the Recycling Information Center (RIC) is the regional clearing house for waste reduction, recycling, and disposal information at Metro, providing customer service and public information. The service helps to meet recycling and recovery goals by providing a call-in service to answer questions from individuals and businesses about recycling and disposal options. Metro has operated the RIC for the past 20 years. Annual cost of the program is approximately \$1.7 million.

Debt Service. This category includes sufficient funds to meet the debt service principal and interest payments due for outstanding bonds issued on behalf of the REM Department. The cost is \$2.7 million per year.

Regional Environmental Management
FY 01-02 Budget
Metro Transfer Station Programs Funded by the Metro Tip Fee

Misc. Transfer Station Maintenance. This category provides for maintenance costs not covered under the Transfer Station Operations Contract, for capital items less than \$50,000, and for management of the transfer station operations, transport, and disposal contracts. This category also provides procurement assistance to the Environmental & Engineering Services Division and contract review and assistance to the Department. Annual cost for this program is \$280,000.

Renewal & Replacement Contribution. This purpose of this category is to budget for capital improvements characterized as renewals or replacements of existing systems within the Metro Disposal System. The budget is approximately \$730,000 per year.

Transfer Station Operation (BFI). This category is to budget for operations of the two Metro owned transfer stations under Metro Contract with Browning Ferris Industries Inc. The budget is approximately \$4.9 million per year.

Recovery Incentive(BFI). This category is to budget for recovery incentive payments to Metro's facility operator to promote recycling. The budget is approximately \$1.4 million per year.

Transport to Columbia Ridge (CSU). This category is to budget for solid waste long-haul transportation costs to Columbia Ridge under Metro Contract with CSU Transport, Inc. This program includes also fuel costs paid directly by Metro. The budget is approximately \$8.0 million per year.

Fuel. The Metro contract with CSU Transport provides for Metro to purchase tax-exempt fuel directly for use in the trucks that transport Metro's solid waste to the Columbia Ridge Landfill. Approximate annual cost: \$1.1 million.

Disposal at Columbia Ridge (WMI). This category includes costs for the disposal of solid waste at Columbia Ridge Landfill from the two Metro owned transfer stations and from direct-haul authorized by Metro. Annual cost for this program under Metro Contract with Waste Management Inc. is \$12.1 million.

REVENUE OFFSETS

Miscellaneous. This revenue category includes revenue from the sale of latex paint, hazardous waste fees from commercial generators, yard debris disposal fees, tire disposal fees, and franchise fees.

Interest. Interest earned on invested funds. Includes interest earned from the Debt Service Reserve Account and excludes interest earned from restricted accounts such as the Landfill Closure and the Renewal & Replacement accounts.

Disposal Fee from Direct-Haul. Revenue collected from facilities that direct-haul mixed waste to Metro's contract operator for disposal. The per-ton direct-haul charge equals the average per ton cost that REM expects to pay for disposal.

Fund Balance (contracts carryover). Amount of reserve funds used to buy down fee component, if any, plus contract payments planned for the previous year that got rolled over to the current year. Annual amount varies. \$305,000 in contract carryovers for FY01-02.

Note: Scalehouse Operations. This program provides Scalehouse services to public and commercial customers at Metro South and Central transfer stations. Annual cost for this program is approximately \$1.8 million. Scalehouse operations costs are recovered by the \$5 transaction fee.