



METRO

A G E N D A

MEETING: **REGIONAL SOLID WASTE ADVISORY COMMITTEE**

DATE: Wednesday, April 12, 2000

TIME: 8:30 a.m.—10:30 a.m.

PLACE: Room 370, Metro Regional Center, 600 NE Grand Avenue, Portland

SWAC review of Ordinance 00-857: Amends Metro Code Chapter 7.01 to convert the excise tax levied on solid waste to a tax levied upon tonnage accepted at solid waste facilities.

- | | |
|--|-----------------------------|
| <input type="checkbox"/> Purpose of Ordinance | Councilor Rod Park |
| <input type="checkbox"/> Comparison to Current Tax | Terry Petersen/Tom Chairnov |
| <input type="checkbox"/> SWAC Comments | Councilor Ed Washington |

Materials will be faxed (or e-mailed) prior to the meeting.

MEMBERS OF THE TRANSFER STATION SERVICE PLAN SUBCOMMITTEE:

Please plan on meeting immediately after SWAC from 10:30 to noon to review and discuss:

- ☐ Cost & policy analyses
- ☐ Draft recommendation

Materials will be faxed (or e-mailed) prior to the meeting.

Chair: Councilor Ed Washington (797-1546)
Alternate Chair: Councilor Susan McLain (797-1553)
Staff: Meg Lynch (797-1671) or Doug Anderson (797-1788)
Committee Clerk: Connie Kinney (797-1643)

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BEFORE THE METRO COUNCIL

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FOR THE PURPOSE OF AMENDING)	METRO ORDINANCE NO. 00857
METRO CODE CHAPTER 7.01 TO)	
CONVERT THE EXCISE TAX LEVIED)	
ON SOLID WASTE TO A TAX LEVIED)	Introduced by the Regional
UPON TONNAGE ACCEPTED)	Environmental Management
SOLID WASTE FACILITIES AND)	Committee of the Metro Council
MAKING OTHER RELATED)	
AMENDMENTS)	

WHEREAS, the State of Oregon has set a recycling goal for solid waste of 56 percent by the year 2005; and

WHEREAS, recycling of solid waste in the region is of the utmost importance and should be a priority in solid waste fee system; and

WHEREAS, Metro needs a stable funding source for its charter mandated responsibilities; and

WHEREAS, Metro needs to respond to recent centralization within the solid waste industry; and

WHEREAS, newer processing facilities include both wet and dry waste components; and

WHEREAS, the purpose of this ordinance is to further recycling and provide stability and predictability in the setting of solid waste fees during the Metro budget cycle; and

WHEREAS, Metro imposes an excise tax for the use of the facilities, equipment, systems, functions, services, or improvements, owned, operated, certified, licensed, franchised, or provided by Metro; and

WHEREAS, the tax is currently imposed as a percentage of the payment charged by Metro or by the operator of such solid waste facilities; and

WHEREAS, to enable Metro to fulfill its missions, it is desirable to change the method by which the tax on solid waste is imposed from the current method using a percentage of the payment charged for disposal to a method under which the tax is imposed upon each ton of solid waste disposed at solid waste facilities; now, therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

SECTION 1. Metro Code Section 7.01.010 is amended to read:

For the purposes of this chapter unless the context requires otherwise the following terms shall have the meaning indicated:

(a) "Accrual basis accounting" means revenues are recorded in the accounting period in which they are earned and become measurable whether received or not.

- (b) "Cash basis accounting" means revenues are recorded when cash is received.
- (c) "District facility" means any facility, equipment, system, function, service or improvement owned, operated, franchised or provided by the district. District facility includes but is not limited to all services provided for compensation by employees, officers or agents of Metro, including but not limited to the Metro Washington Park Zoo, Metro ERC facilities, all solid waste system facilities, and any other facility, equipment, system, function, service or improvement owned, operated, franchised or provided by the district.
- (d) "Facility Retrieval Rate" shall have the meaning assigned thereto in Metro Code Section 5.02.015.
- (e) "Installment payments" means the payment of any amount that is less than the full payment owed either by any user to the district or to an operator or by an operator to the district.
- (f) "Metro ERC facility" means any facility operated or managed by the Metropolitan Exposition-Recreation Commission.
- (g) "Operator" means a person other than the district who receives compensation from any source arising out of the use of a district facility. Where the operator performs his/her functions through a managing agent of any type or character other than an employee, the managing agent shall also be deemed an operator for the purposes of this chapter and shall have the same duties and liabilities as his/her principal. Compliance with the provisions of this chapter by either the principal or managing agent shall be considered to be compliance by both.
- (h) "Person" means any individual, firm, partnership, joint venture, association, governmental body, joint stock company, corporation, estate, trust, syndicate, or any other group or combination acting as a unit.
- (i) "Payment" means the consideration charged, whether or not received by the district or an operator, for the use of a district facility, valued in money, goods, labor, credits, property or other consideration valued in money, without any deduction.
- (j) "Processing Residual" shall have the meaning assigned thereto in Metro Code Section 5.02.015.
- (k) "Recovery Rate" shall have the meaning assigned thereto in Metro Code Section 5.02.015.
- (l) "Solid waste system facility" means all facilities defined as such pursuant to section 5.05.010 including but not limited to all designated facilities set forth in section 5.05.030 and any non-system facility as defined in section 5.05.010 that receives solid waste from within the Metro boundary whether pursuant to an authorized non-system license or otherwise.
- (m) "Source Separate" or "Source Separated" or "Source Separation" means that the person who last uses recyclable material separates the recyclable material from Solid Waste.
- (n) "Source-separated recyclable material" or "Source-separated recyclables" means material that has been Source Separated for the purpose of Reuse, Recycling, or Composting.

(o) "Tax" means the tax imposed in the amount established in subsection 7.01.020, and includes both the tax payable by a user and the aggregate amount of taxes due from an operator during the period for which he/she is required to report and pay the tax.

(p) "User" means any person who pays compensation for the use of a district facility or receives a product or service from a district facility subject to the payment of compensation

SECTION 2. Metro Code Section 7.01.020 is amended to read:

7.01.020 Tax Imposed

_____ (a) For the privilege of the use of the facilities, equipment, systems, functions, services, or improvements owned, operated, certified, licensed, franchised, or provided by the district, each user except users of solid waste system facilities shall pay a tax of 7.5 percent of the payment charged by the operator or the district for such use unless a lower rate has been established as provided in subsection 7.01.020(b). The tax constitutes a debt owed by the user to the district which is extinguished only by payment of the tax directly to the district or by the operator to the district. The user shall pay the tax to the district or to an operator at the time payment for the use is made. The operator shall enter the tax on his/her records when payment is collected if the operator keeps his/her records on the cash basis of accounting and when earned if the operator keeps his/her records on the accrual basis of accounting. If installment payments are paid to an operator, a proportionate share of the tax shall be paid by the user to the operator with each installment.

(b) The council may for any period commencing no sooner than July 1 of any year and ending on June 30 of the following year establish a tax rate lower than the rate of tax provided for in subsection 7.01.020(a) or in subsections 7.01.020(c)-(e) by so providing in an ordinance adopted by the district. If the council so establishes a lower rate of tax, the executive officer shall immediately notify all operators of the new tax rate. Upon the end of the fiscal year the rate of tax shall revert to the maximum rate established in subsection 7.01.020(a) unchanged for the next year unless further action to establish a lower rate is adopted by the council as provided for herein.

(c) For the privilege of the use of the solid waste system facilities, equipment, systems, functions, services, or improvements, owned, operated, certified, licensed, franchised, or provided by the district, each user of all solid waste system facilities shall pay a tax in the amount calculated under section (e) for each ton of solid waste exclusive of source separated recyclable materials accepted at the solid waste system facilities. The tax constitutes a debt owed by the user to the district which is extinguished only by payment of the tax directly to the district or by the operator to the district. The user shall pay the tax to the district or to an operator at the time payment for the use is made. The operator shall enter the tax on his/her records when payment is collected if the operator keeps his/her records on the cash basis of accounting and when earned if the operator keeps his/her records on the accrual basis of accounting. If installment payments are paid to an operator, a proportionate share of the tax shall be paid by the user to the operator with each installment.

(d) For the Metro fiscal year beginning July 1, 2000, and for each year thereafter subject to Section 3 of this ordinance, the tax rate imposed and calculated under this section shall be sufficient to generate at least \$5,700,000 in excise tax revenue.

(e) The excise tax rate for each ton of solid waste exclusive of source separate recyclable materials accepted at the solid waste system facilities shall be the amount that results from dividing the amount set forth in sub-section (d) by an amount that is equivalent to the sum of the solid waste tonnage generated within the district and delivered to any disposal site for disposal, exclusive of inert materials and materials accepted for and actually used for a beneficial purpose at a disposal site, during the twelve-month period ending on December 31 of each year, as further adjusted by the Executive Officer under sub-section (f). Subject to subsection 7.01.020(b), the rate so determined shall be the district's rate excise tax on solid waste during the subsequent Metro fiscal year,

(f) By June 1, 2000 and by March 1st of each year thereafter, the Executive Officer shall provide a written report to the Council stating the amount of solid waste tonnage generated within the district and delivered to any disposal site for disposal, exclusive of inert materials and materials accepted for and actually used for a beneficial purpose at a disposal site, for the twelve-month period ending the previous December 31. Based upon the tonnage amount set forth in such written report, the Executive Officer at the same time shall calculate the amount of such solid waste tonnage that would have been generated during the previous calendar year if the solid waste recovery rates corresponding for each calendar year set forth on the following schedule had been achieved:

Year	Recovery Rate
2000	46%
2001	48%
2002	50%
2003	52%
2004	54%
2005	56%

The product of such calculation by the Executive Officer shall be used to determine the excise tax rate under sub-section (e) of this section.

(g) A solid waste facility which is certified, licensed or franchised by Metro pursuant to Metro Code Chapter 5.01 and which attains a Facility Retrieval Rate of 10 percent or greater shall be allowed a credit against the Excise Tax otherwise due under Section 7.01.020(c) or (f) for disposal of Processing Residuals from the facility. The Facility Retrieval Rate and the Recovery Rate shall be calculated for each six-month period before the month in which the credit is claimed. The amount of such credit shall be in accordance with and no greater than as provided on the following table:

Excise Tax Credit Schedule		
Recovery Rate		Excise Tax Credit
From Above	Up To & Including	
0%	20%	0%
20%	25%	4%
25%	30%	10%
30%	35%	20%
35%	40%	33%
40%	100%	45%

(h) In lieu of taxes imposed under this section and notwithstanding section 7.01.050(a)(6), operators of solid waste facilities licensed or franchised under chapter 5.01 of this Code to deliver putrescible waste directly to the district's contract operator for disposal of putrescible waste shall pay a tax in the amount annually calculated under Section 7.01.020(e) for putrescible waste delivered directly to the district's contract operator for disposal of putrescible waste.

SECTION 3. Section 4 of this Ordinance is added to and made a part of Metro Code Chapter 7.01.

SECTION 4. Consumer Price Index Adjustment

Commencing with the Metro fiscal year beginning July 1, 2001, and each year thereafter, the amount of revenue to be generated by the taxes imposed by Section 7.01.020(c) shall be the amount of tax revenue authorized in Section 7.01.020(d) increased by a percentage equal to (a) the annualized rate of increase in the Consumer Price Index, All Items, for Portland-Vancouver (All Urban Consumers) reported for the first six months of the federal reporting year as determined by the appropriate agency of the United States Government or (b) the most nearly equivalent index as determined by the Metro Council if the index described in (a) is discontinued, or such lesser amount as the Executive Officer deems appropriate.

SECTION 5. Budgeting of Excess Revenue

Commencing with the Metro fiscal year beginning July 1, 2000, and each year thereafter, if the tax revenues collected under the tax rate imposed by Section 7.01.020 (e) exceed the amount set forth in Section 7.01.020 (c) as adjusted by Section 4 of this Ordinance, such additional revenue shall be placed in an account within the General Fund specifically created to receive such revenue. The budgeting or expenditure of all such funds within this account shall be subject to review and approval by the Metro Council.

ADOPTED by the Metro Council this _____ day of _____, 2000.

David Bragdon, Presiding Officer

ATTEST:

Approved as to Form:

Recording Secretary

Daniel B. Cooper, General Counsel

Current Excise Tax

Currently, 8.5%, set in Metro Code

Council's concerns:

- Different rates for the same waste
(Is this equitable? What's the policy?)
- Tax revenue automatically rises with tip fee
(Revenues not tied to needs)
- Tax revenue is "rewarded" if recycling fails
(Tax policy is not aligned with recovery goals)

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Three Metro Rates on Solid Waste

1. Regional System Fee

- Levied on all waste
- Funds solid waste programs (Haz. Waste, etc.)
- \$12.90 per ton
- Raises ~\$15 million

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Three Metro Rates on Solid Waste (continued)

2. Metro Excise Tax

- Levied on all waste
- Funds Metro general government (Council, etc.)
- 8-1/2% of transaction value
- Raises ~\$5.7 million from solid waste

Three Metro Rates on Solid Waste (continued)

3. Metro Tip Fee

- Charged at Metro stations only
- Pays for direct disposal costs
- \$62.50 per ton on *incoming* waste
- Includes:
 - Regional system fee (\$12.90)
 - Excise Tax (\$5.03)

What Ordinance 00-857 Does

- Set revenue need in Metro Code (\$5.7 million)
- Establishes a single, flat, per-ton tax
- Provides tax credits for recovery facilities
- Defines the per-ton tax rate as next FY's needs divided by previous CY's actual tonnage adjusted for target recovery rate

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Opportunities for Clarification

- Definition and application of Recovery Rate
- Tax on incoming or disposed waste?
- Exemption of special waste types
- May require year-end reporting earlier than current deadlines

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Key Assumptions

- Target recovery rate was modeled using source separation, not increased individual facility recovery; hence, increased future material recovery could lower the tax paid by facilities.
- CY99 "actual" regional recovery rate was taken to be 43%, the same as in CY98.
- All PCS will be used for beneficial purposes, i.e., will be tax exempt. Other special waste pays tax.
- Total expected tax revenue uses REM's most current FY00-01 tonnage forecast and most recent facility recovery rates.

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Rate Calculation

<i>FY00-01 Needs</i>		\$5,700,000	\$5,700,000
CY99 Core (all but special)	1,170,406		
CY99 PCS	27,858		
CY99 Other special	39,958		
CY99 Disposed tons	1,238,222		
"Actual" Recovery Rate	43%	CY98 actual assumed for CY99	
Implied Core Generated	2,053,344		
Target recovery rate	46%		
Disposed core if 46% recovered	1,108,806		
Other special	39,958		
Subtotal Disposed	1,148,764		
Less Tonnage Credits	(27,568)		if PCS pays
Total Taxable Tons		1,121,196	1,149,054
Per Ton Tax Rate		\$5.08	\$4.96

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Tax Credit Schedule

Per Ton Tax Rate = \$5.08

<u>Recovery</u>	<u>% Credit</u>	<u>\$ Credit</u>
0-20%	0%	\$0.00
20-25%	4%	\$0.20
25-30%	10%	\$0.51
30-35%	20%	\$1.02
35-40%	33%	\$1.68
40%+	45%	\$2.29

•Mirrors the Regional System Fee Credit program

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Excise Tax Per Ton

	Status Quo	Ordinance 00-857, \$5.08 rate, regional recovery achieved
Transfer Stations	\$5.25	\$5.08
Releada/Wet Waste	\$4.41	\$5.08
Landfills	\$3.71	\$5.08
MRFs (Internal rate)	\$1.98	\$5.08
MRFs (mkt/regulated rate)	\$2.45	\$2.91
Tax Revenue (millions)	\$5.7	\$5.8*

*CY99 \$5.08 applied to
FY00-01 tonnage, assuming
47% regional recovery

•Shifts tax to landfilled waste

•Less tax from Metro transfer stations (\$ could be dedicated to waste reduction)

•Not much simpler than current tax system

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SWAC advice regarding:

1. Set tax revenue needs in Metro Code?
2. What if recovery rate not met?
3. Calculation of tax rate:
 - Same rate for all waste?
 - Landfill waste only?
 - Based on projected recovery goals?

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**Ordinance 00-857; \$5.08 Flat Rate; FY00-01 Regional
Recovery Achieved
WITH TAX
CREDIT**

		Status Quo Per Ton Payment	New Per Ton Payment	Per Ton Difference
Transfer Stations				
	Metro	\$5.27	\$5.08	(\$0.19)
	WasteCon	\$5.05	\$5.08	\$0.03
	Forest Grove	\$5.22	\$5.08	(\$0.14)
	<i>Average</i>	\$5.25	\$5.08	(\$0.17)
Reloads/Wet Waste				
	WRI	\$4.17	\$5.08	\$0.91
	R.America	\$4.17	\$5.08	\$0.91
	Pride	\$4.82	\$5.08	\$0.26
	Marion County	\$4.88	\$5.08	\$0.20
	<i>Average</i>	\$4.41	\$5.08	\$0.67
Landfills				
	Hillsboro	\$4.08	\$5.08	\$1.00
	Lakeside	\$3.37	\$5.08	\$1.71
	Columbia Ridge	\$2.04	\$5.08	\$3.04
	Finley Buttes	\$3.35	\$5.08	\$1.73
	Roosevelt	\$4.93	\$5.08	\$0.15
	Riverbend	\$3.25	\$5.08	\$1.83
	<i>Average</i>	\$3.71	\$5.08	\$1.37
Solid Waste Facilities/MRF Residual				
	East County	\$2.40	\$2.79	\$0.39
	Wastech	\$1.99	\$5.08	\$3.09
	Pride	\$2.51	\$4.57	\$2.06
	WRI	\$2.51	\$2.79	\$0.28
	R.America	\$1.95	\$5.08	\$3.13
	<i>Average</i>	\$2.28	\$4.12	\$1.84
<hr/>				
	<i>AVERAGE ALL FACILITIES</i>	\$4.56	\$4.97	\$0.41
	<i>WMI Average</i>	\$3.88	\$5.08	\$1.20

Tax Credit Schedule

<u>Recovery</u>	<u>% Credit</u>	<u>\$ Credit</u>
0-20%	0%	\$0.00
20-25%	4%	\$0.20
25-30%	10%	\$0.51
30-35%	20%	\$1.02
35-40%	33%	\$1.68
40%+	45%	\$2.29

ASSUMPTIONS

- > Status Quo per-ton rates consider disposed tonnage only
- > FY00-01 47% regional recovery rate modeled through upstream source separation,
 - not increases in facility recovery, decreasing incoming tonnage at all facilities
- > Not reaching regional recovery goal would increase total tax payment at all facilities