

A G E N D A

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METRO

MEETING: Rate Review Committee, MEETING 2
DATE: Thursday, March 11, 2008
TIME: 5:30 – 7:00 p.m.
PLACE: Metro Regional Center, Room 601

AGENDA

- I. Call to Order** (5 min) *David Bragdon*
*Approval of meeting summary from the February 28, 2008 RRC meeting**
- II. Draft FY 2008-09 Rates*** (35 min.) *Doug Anderson*
Presentation: summary of proposed budget, tonnage forecast, allocation factors, cost loadings, unit costs, and draft FY 2008-09 rates. Discussion: sensitivity, scenarios, options; additional information needed.
Desired outcome: RRC understands potential rate changes for FY 2008-09.
- III. The Long-Run Rate Path** (25 min.) *Doug Anderson*
Presentation: rate path scenarios; effects of management options. Discussion: FY 2008-09 rate options and the long-run path; performance of scenarios on Rate Criteria; additional information needed.
Desired outcome: RRC understands long-run options.
- IV. Recommendations** (20 min.) *David Bragdon*
Discussion of possible recommendations on FY 2008-09 rates and long-run management options.
Desired outcome: Draft recommendations.
- V. Other Business and Adjourn** (5 min.) *David Bragdon*
Confirm next meeting: April 10, 2008

*** Starred (*) items are included with this agenda. Other materials will be distributed at the meeting. All times listed on this agenda are approximate. Items may not be considered in the exact order listed.**

Please contact Tom Chaimov at Metro with any questions at chaimovt@metro.dst.or.us or 503-797-1681.

Rate Review Committee Members, Affiliation (Representation)

Matt Korot, City of Gresham (Recycling Interests)	Sarah Adams, Hoffman Angeli (Rate Setting Expertise)
Mike Leichner, Pride Disposal (Haulers)	Mike Miller, Gresham Sanitary (Business Finance Experience)
Ray Phelps, Allied (Haulers)	Michelle Poyourow (Citizen Interests)

Council President David Bragdon, Chair

List of Attachments

Agenda Item I: Meeting Summary, February 28, 2008

Agenda Item II: Summary Table: Derivation of FY 2008-09 Solid Waste Rates

Dinner Provided

Dinner for this evening will be provided by Elephant's Deli:

Lasagna Bolognese
Vegetarian Lasagna
Insalata Caprese



METRO

600 NE Grand Ave.
Portland, OR 97232-2736

MEETING SUMMARY
RATE REVIEW COMMITTEE
Metro Regional Center – Room 601
February 28, 2008

Present:

Members

Michelle Poyourow
Matt Korot
Ray Phelps
Mike Miller
Mike Leichner
Sarah Adams

Metro

Council President David Bragdon, Chair
Mike Hogle, Director, Solid Waste & Recycling
Doug Anderson, Solid Waste & Recycling
Joel Sherman, Solid Waste & Recycling
Marv Fjordbeck, Office of Metro Attorney
Karen Feher, Finance & Administrative Services
Gina Cubbon, Solid Waste & Recycling, Clerk

Guests

Dave White, ORRA
Dean Kampfer, Waste Mgmt.

Members Absent:

(none)

I. Call to Order *David Bragdon*

Council President David Bragdon called the meeting to order and asked the members to introduce themselves.

II. Review, Status Report and New Issues *Tom Chaimov / Douglas Anderson*

Tom Chaimov set about reviewing the recommendations made by the Committee (and adopted by Metro Council) last year, explaining the updates shown in the agenda packet for each of those items:

Metro Facility Tip Fee: Set at \$71.14 per ton with a split transaction fee (depending upon whether the customer uses the staffed scalehouse services or the automated scales). Since the implementation of that split fee, a small number of users have migrated over to the automated scales. **Information Request:** *Detailed transaction data will be supplied at the next meeting.*

Hazardous Waste: Customer charges for dropping off hazardous waste at Metro’s facilities have been eliminated. While deliveries of such waste continue to increase, progress is being made on electronics, and the paint industry is very close to a final plan for advance-disposal fees, Mr. Chaimov added.

Mr. Chaimov referred the Committee to Attachment B to the agenda, explaining expected changes to the tip fee. Total costs are up, while tonnage is projected to increase only slightly, leading to increased unit costs.

Current Tonnage Trends: Current regional tonnage is trending down over the previous year, due mainly to the impact of the economic downturn on the amount of construction industry debris. (Disposal at Metro’s stations has been flat to slightly up, because the lion’s share of construction waste is delivered to non-Metro facilities.)

Forecast: Next year's tonnage is expected to trend up less than 1% over the previous forecast, due to a slow recovery from the economic downturn. The forecast for the current year assumed Columbia Environmental (CE) would be diverting about 40,000 tons from Metro facilities (primarily Metro Central). However, CE is not in operation yet, so the forecast for Metro Central is about 40,000 tons too low. The forecast for next year assumes that CE will not be in operation in FY 2008-09. (Committee member Mike Miller commented that the new facility should be online sometime in Fall 2008.)

Regional System Fee (RSF): This fee (collected to help fund programs beneficial to the entire Metro region) is projected to rise by over \$3, in part because of inflation and economic factors (construction downturn = less petroleum-contaminated soil disposal = less revenue), and in part because of new program costs.

New Program Costs: If approved by Council, a diesel retrofit project for waste hauling trucks would cause the largest portion of the RSF increase, though it would sunset after three years. Committee member Mike Leichner reminded the group that a suggestion has been made to fund that project through reserve funds. The group discussed this idea. Increased investment in business recycling technical assistance is the other notable program cost increase. **Information Request:** *Mr. Anderson will supply members with details of uncommitted reserves.*

Excise Tax: Used for non-solid waste activities funded by Metro (e.g., Parks, Planning, general fund activities, etc.), the tax is part of the tip fee, though traditionally beyond the purview of the Rate Review Committee. Expected to increase by \$0.74 for FY 2008-09, to \$8.97 per ton.

Mr. Anderson next walked the Committee through factors projected to affect the rate over a longer term, as shown in Attachment C. If adjusted in real time, rates could swing several dollars from year to year. Council has asked staff—and the Rate Review Committee—if that is advisable, and what management options could be utilized to help smooth the rate path.

Policy Options:

- **Diesel retrofit** - The Committee will be discussing not only using reserves for the retrofit, but other programs that could be in the running. The members suggested ideas for the retirement of bonds and use of the reserves. Councilor Bragdon agreed options will be taken into consideration, while maintaining a prudent amount in the reserves. (Until Metro is no longer bound by the bond covenants, using reserves to fund the diesel retrofit is unlikely, however, because it could violate the rate covenant.)
- **Conservation-education initiative** – This item would include solid waste reduction education (which could increase the RSF). More information may be available from Councilor Burkholder's office.
- **Self-haul** – The budget may or may not be affected by the results of a self-haul study ongoing, Mr. Anderson noted, but it may affect the rate structure insofar as transaction fees are concerned. Ray Phelps commented that this issue should be looked into very carefully; if self-haul pricing is unfavorable to the private sector, private facilities may not be interested in providing the service.
- **Waste reduction program costs and enforcement** – These programs are designed to go beyond the simple "opportunity model" for recycling and waste reduction, and may involve some enforcement. The Enhanced Dry Waste Recovery Program (EDWRP) will repeal RSF credits as of July 2009, lowering the RSF by \$0.43.

Time- and/or Dollar-Certain Cost Changes:

- **Retirement of bonds** – Retirement of the bonds will occur on July 1, 2009, eliminating the bond covenants, and potentially freeing up the ability to use some reserves. **Information Request:** *Mr. Anderson will bring budget details to the next meeting and some scenarios for how these factors may play out over time.*

- Solid Waste Transport Contract – Bids are due March 12; staff conservatively estimates a new contract will add \$3-4 per ton to the tip fee. (There was brief discussion of Metro’s federal fuel tax exemption; it’s an open question whether Metro should forego such a savings. The fuel issue is also dependent upon the type of transport method ultimately chosen.)
- Disposal cost reduction (Change Order 9) – This issue is a time-certain change to Metro’s disposal contract and will not affect the RSF.

Management Options:

- Depreciation allowance, rate setting, and use of reserves – Mr. Anderson noted that the bond covenants have strict asset-maintenance funding requirements. When the bonds are retired, there will be some flexibility in those funding levels. In addition, management could look at historical spending patterns and choose to set rates using expected spending rather than an adopted budget. **Information Request:** *Staff will supply information showing the historical difference between the budget and actual spending.*
- Rate allocation model – The Committee has discussed this over the last few years, Mr. Anderson said. Staff would like to resolve this in conjunction with the Waste Allocation Project (how much waste private facilities are allowed to receive).

Risks:

- St. Johns Landfill closure - An assessment is being conducted with the Oregon DEQ; this may result in additional funding needed to continue post-closure activities to mitigate the area and the Columbia Slough. \$6 million is currently reserved for the project; an additional \$3-7 million may be needed.
- New operations contract – Inflation is expected to cause some increase to this contract. The contract would noticeably affect rates only if significant changes were instituted.
- Tonnage diversion – If the Waste Allocation Project results in more tonnage being diverted from Metro’s transfer stations, this would affect the rate under current cost allocations.

III. This Year’s Work Plan *Mike Hoglund / David Bragdon*

The Committee discussed how the previously-shown changes could affect the future rate, as demonstrated on page 6 of Attachment C. Staff asked what information the group needs to help their decision-making process. **Information Request:** *Staff will supply information regarding reserves, forecasting, an excise tax primer and review, and budget under-spend. Also, which management factors are consistent, flexible, or in-play?*

Mr. Anderson handed out a discussion draft for the next meetings (attached), and the Committee discussed how to proceed. The group agreed that smooth rate growth would be preferred (such as when the rate was ramped for 18 months prior to Columbia Ridge coming into the system to avoid a sharp jump). First, develop a rate for the coming year, then use that as a basis for looking at what will affect the next several years.

Councilor Bragdon pointed out that what is notably different in this year’s rate-setting process is the significant number of important issues pushing the rate from all sides.

The Committee looked at dates for future meetings and discussed possible scheduling conflicts.

IV. Other Business and Adjourn *David Bragdon*

Councilor Bragdon thanked everyone for their attendance and adjourned the meeting at 7:03 p.m.

gbc
 Attachments: Discussion draft handout
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 Queue

Rate Review Committee
Technical Review Options
Discussion Draft
February 28, 2008

Possible Subjects for Next 1—3 Meetings

I. FY 2008-09 Rates (standard annual product)

Topics:

- o Proposed budget
- o Tonnage forecast
- o Assumptions and allocations
- o Unit costs (transaction fees, Regional System Fee, Tonnage Charge)

II. Long-Run Rate Path Scenarios

Scenario 1. No Management (reference scenario)

Include cost increases and decreases as they become effective.

⇒ Evaluate the resulting rate trajectory with respect to Rate Criteria.

Scenario 2. Managed Path

Starting with Scenario 1, employ management options (e.g., use of fund balance) to dampen the swings as much as possible.

⇒ Compare this rate trajectory with Scenario 1 and the Rate Criteria.

Scenario 3. Strict Control

Increase rates in equal increments over the next 4 to 5 years.

⇒ Evaluate the resulting over- and under-collection by year..

Other scenarios?

III. Recommendations

- o FY 2008-09 Rates
- o Management options for the rate path

Agenda Item II

Summary Table
Derivation of FY 2008-09 Solid Waste Rates

The following table summarizes the Metro Tip Fee, transaction fees, and Regional System Fee that would prevail under the following assumptions:

- o Costs are based on the draft FY 2008-09 budget as of March 6, 2008
(Note, the Proposed Budget will be released officially on April 3, 2008).
- o Allocations of general and administrative costs are based on the same model as has been used for the last several years.
- o Revenues are based on the tonnage forecast as outlined at the February 28, 2008 meeting of the Rate Review Committee.
- o The Council adopts the rates subject to the same rate criteria they have used for the last several years.

Members of the committee will note that the tip fee is very close to the preliminary estimate provided on February 28—\$76.28 per ton—although the Regional System Fee and Tonnage Charge components shifted a bit when the numbers were run through the full allocation model.

Please note, we have reduced the attached table from ledger-sized to letter-sized for the convenience of those who cannot print larger than 8½ x11. We will provide full-sized hard copies of this table at the meeting.

We will also provide supplementary tables (as we did last year) that document the rate-making steps behind the attached summary.

Summary Table
Solid Waste & Recycling Department Rate Model
Derivation of FY 2008-09 Rates Based on 50% Loading of General & Administrative Costs
DRAFT
Date: March 6, 2008

Line	Center	Revenue Requirements			Assignment of Requirements to Fee Categories				Total Rate Revenue
		Budget Requirements	Cost Loadings (Allocations)	Net Rate Requirements	Transaction Fees		Tonnage Charge	Regional System Fee	
					Staffed Scales	Automated			
1	Solid Waste Reduction	\$4,315,657	\$968,934	\$5,284,592				\$5,284,592	\$5,284,592
2	Hazardous Waste Reduction	3,871,503	1,168,798	5,040,301				5,040,301	5,040,301
3	Latex Paint Recovery	483,117	317,317	800,434				800,434	800,434
4	WR Education & Outreach	1,701,163	972,277	2,673,441				2,673,441	2,673,441
5	Private Facility Regulation	937,390	555,394	1,492,784				1,492,784	1,492,784
6	Illegal Dumping	519,262	116,423	635,685				635,685	635,685
7	Landfill Stewardship	986,892	484,339	1,471,231				1,471,231	1,471,231
8	Facility & Asset Mgmt.	665,566	389,494	1,055,061				1,055,061	1,055,061
9	Not Program-Specific	3,491,388	58,261	3,549,649				3,549,649	3,549,649
	Subtotal	\$16,971,940	\$5,031,237	\$22,003,177	\$0	\$0	\$0	\$22,003,177	\$22,003,177
10	Staffed Scales	\$1,108,748	\$684,170	\$1,792,918	\$1,792,918				\$1,792,918
11	Automated Scales	188,057	36,225	224,283		224,283			224,283
12	Major Contracts	29,392,726	424,344	29,817,074			29,817,074		29,817,074
13	Pass-Throughs	661,767	10,921	672,688			672,688		672,688
14	M'gmt & Oversight	737,509	353,819	1,091,328	929,664	60,926	100,738		1,091,328
	Subtotal	\$32,088,807	\$1,509,484	\$33,598,291	\$2,722,582	\$285,209	\$30,590,500	\$0	\$33,598,291
15	Unallocated Debt Service	\$780,973	(\$404,427)	\$376,546				\$376,546	\$376,546
16	Office of the Director	621,444	(402,109)	219,335				219,335	219,335
17	Support Services	873,665	(790,016)	83,649				83,649	83,649
18	Finance & Budget	817,300	(550,953)	266,347				266,347	266,347
19	Community Rel'ns	119,745	(97,015)	22,730				22,730	22,730
20	Safety	225,453	(206,665)	18,788				18,788	18,788
	Subtotal	\$3,438,580	(\$2,451,185)	\$987,395	\$0	\$0	\$0	\$987,395	\$987,395
21	COO, Auditor	\$381,144	(\$328,278)	\$52,866				\$52,866	\$52,866
22	Accounting	449,636	(306,044)	143,592				143,592	143,592
23	CFO, Fin.Planning	429,865	(370,241)	59,624				59,624	59,624
24	Office Services	82,992	(80,028)	2,964				2,964	2,964
25	Building Services	627,433	(605,025)	22,408				22,408	22,408
26	Contract Services	152,663	(147,015)	5,648				5,648	5,648
27	Information Technology	800,736	(710,998)	89,738				89,738	89,738
28	Human Resources	304,319	(276,641)	27,678				27,678	27,678
29	Metro Attorney	412,402	(393,934)	18,468				18,468	18,468
30	Creative Services	322,550	(261,324)	61,226				61,226	61,226
31	Risk, Insurance	214,617	(194,186)	20,431				20,431	20,431
32	Planning, data, etc.	438,608	(415,821)	22,787				22,787	22,787
	Subtotal	\$4,616,965	(\$4,089,536)	\$527,429	\$0	\$0	\$0	\$527,429	\$527,429
	Total	\$57,116,291	\$0	\$57,116,291	\$2,722,582	\$285,209	\$30,590,500	\$23,518,001	\$57,116,291

Calculation of the Metro Tip & Transaction Fees and Comparison with Current Rates

Transaction Fees	Current	FY08/09*	Change
Staffed Scales	\$8.50	\$8.75	\$0.25
Automated Scales	3.00	2.51	(0.49)
Metro Tip Fee			
Regional System Fee	\$14.08	\$16.67	\$2.59
Tonnage Charge	47.09	48.90	1.81
Metro Excise Tax	8.23	8.97	0.74
DEQ Fees	1.24	1.24	0.00
Host Fee	0.50	0.50	0.00
Total	\$71.14	\$76.28	\$5.14

* The numbers in this column show FY 2008-09 rates if the Metro Council adopts the unit costs shown in the table at left.

Calculation of Unit Costs

Requirements:	\$2,722,582	\$285,209	\$30,590,500	\$23,518,001
Divided by:	311,162	113,471	625,557	1,410,845
	transactions	transactions	Metro tons	regional tons
= Unit Costs:	\$8.75	\$2.51	\$48.90	\$16.67
	(per transaction)	(per transaction)	(per ton)	(per ton)