

**METRO**

MEETING: Joint Meeting of Solid Waste Advisory Committee/Rate Review Committee

DATE: October 20, 1993

DAY: Wednesday

TIME: 8:30-10:30 a.m.

PLACE: **Metro Headquarters, 600 NE Grand Avenue**
Room 370

AGENDA

1. Approval of minutes *Roger Buchanan*
2. Updates *Steve Kraten*
Jeep Reid
 - Metro's Enforcement Program
 - Organic Waste Management
3. Options for Redirecting Haulers to Reduce Tonnage at Metro South *Bob Martin*
4. Waste Reduction Plan *Scott Klag*
Debbie Gorham
 - Targeted Generator Diversion Strategies
 - Public Participation Process
5. Solid Waste Revenue System *Doug Anderson*
 - Report and discussion of results of October 6 work group meeting:
Recommended alternatives
6. Other Business / Citizen Communications
7. Adjourn

Summary of Results

Revenue System Work Group First Meeting Metro Regional Center October 6, 1993

The Revenue System Work Group convened for the first time on October 6, 1993. After handling organizational details, the group approved the following mission statement:

Mission Statement Revenue System Work Group

Long-term solutions to the financing issue may require significant rethinking of the Solid Waste system. This will require a broad, collaborative effort among regional partners.

The current system financing study is to focus on solutions which may be feasibly implemented within the next two years.

The Revenue System Work Group may report on any long-range considerations, findings, and recommendations which emerge from this study.

Specific tasks

Enumerate and validate general evaluation criteria

Examine a broad range of alternatives

Narrow the range of options for in-depth analysis

Direct and critique in-depth analysis of selected options

Report on the basis for decisions

Recommend option(s) to Solid Waste Advisory and Rate Review committees

Metro staff presented several simple options for financing the solid waste system. These were intended to serve as starting points for alternatives design. It was generally agreed that no simple alternative was likely to solve the financing problem; and several alternatives may be necessary for a comprehensive solution. In outline, the set of simple alternatives was:

General Initial Alternatives Solid Waste System Financing

- Taxes
 - Broad-Based
 - Narrow-Based
- User Fees
 - Simple fee
 - Weight-Based*
 - Volume Based
 - Materials class Based
 - Two-part fee
- Incentive-Based Charges
 - Advance disposal fees
 - Charge
 - Deposit
 - Generator fees
- Unbundling (differential charges for differentiated services)
 - Repackaging services (utility model)
 - Unpacking services

Broadening the revenue base

* Current mechanism for financing over 96% of the annual solid waste budget.

Much of the group's work during its first session was spent adding and deleting options; and combining and refining the options which remained. Upon closing the first session, a consensus had begun to form around two general concepts: a *two-part fee system*, and *unpacking services*.

Two-Part Fee

Under this alternative, a flat charge per user ("customer charge") is levied, plus a variable fee on services actually used ("usage [or 'user'] charge").

Customer charge. The customer charge is usually designed to recover some or all fixed costs. The charge can be generally assessed on a wide group of individuals and organizations, regardless of whether or not they are direct users of the system. More commonly, the customer charge acts as a "membership fee" required for participation in the system. The first type of customer charge is "tax-like" while the second is similar to the rate structure used by utilities, water, telephone, and cable companies.

"Customers" may be defined into various classes according to expected demand on the system, ability to pay, or other criteria. Customer classes are usually established in order to assess appropriate, differential charges on users.

Customer charge options:

- "Niche" tax
- Hauler license or franchise fee
- Household and/or business charge

User (or Usage) Charge. The user charge is often designed to recover variable costs of the system. It is usually a direct charge based on usage.

User charge options:

- Weight-based
- Material class based

Issues.

- Type of charge (tax, fee, etc.)
- Customer class design (equity)
- Implementation and cost of billing and collection
- Frequency of collection
- Monitoring and enforcement
- Assessment options:
 - New billing system at Metro
 - Billing through haulers
 - Billing at facilities
 - Bill jurisdictions
 - Attach to utility bill
 - Bill through property tax

Unbundling (Unpacking Services)

This option refers to breaking out the agency's array of services into separate cost centers in order to assign appropriate rate models for each service. The Work Group is interested in investigating the effects of separate funding sources for components of the solid waste system. A *non-exhaustive* unbundling of Metro's current solid waste services with funding options might be:

<u>Service</u>	<u>Current Funding</u>	<u>Alternative Source</u>
MSW disposal	User charge (tip fee)	One- or two-part fee
HHW disposal	Subsidy (from above)	Advance disposal fee
System planning	Subsidy (from above)	General fund

The following philosophies guide the "alternative sources" above:

A user charge of some type is most appropriate for financing disposal operations.

It might be desirable—but perhaps not equitable—to subsidize special disposal programs such as Household Hazardous Waste. A type of dedicated funding mechanism which preserves incentives for proper disposal is an *advance disposal fee* (ADF). ADFs are a sort of "bottle bill" for selected products. ADFs are typically assessed against products which pose disposal problems, such as tires, batteries, or hazardous waste. In these cases, ADFs are set to cover costs of special handling and/or disposal. Alternatively, ADFs could be assessed on a different class or wider variety of products. In these cases, rates could be structured to create incentives for, say, recyclability or recycled content. ADFs are usually collected at the point of sale, but may be imposed on manufacturers or distributors. They can be structured as a surcharge or deposit depending on the objectives of the program. The Work Group has asked for a legal opinion on Metro's authority and scope for implementing ADFs before acceptance as a feasible option.

The group noted that certain solid waste planning services (*e.g.*, waste reduction programs, recycling information services, and solid waste system planning) may be conceptually no different than other regional planning services such as transportation system planning or land use planning. Under this philosophy, these services should be supported by a broad public, as they provide regional benefits.

Other Discussion

Broadening the Rate Base. This concept is applicable to tax-based and fee-based revenue approaches. Rather than being a specific alternative, it has to do with how broadly or narrowly the payers into the system are defined. Pure user fees implicitly define the revenue base as persons or agencies that receive specific benefits. A two-part fee implies that all members of society stand to gain, but some (*i.e.*, direct users) stand to gain more than others. A broad-based tax implies that all members of society stand to gain from the service; a narrow tax implies that some receive more benefits than others (or are more deserving of subsidies than others).

Phased Implementation. It may be desirable to phase in partial solutions based on criteria such as the ease of administration. For example, certain financing options may work better under universal service or comprehensive franchising. As the single family residences are the only market which is currently completely franchised in this region, it might make sense to proceed with implementation of programs for this segment in advance of a comprehensive solution.

**Sources and Uses of Metro's Excise Tax
Fiscal Year 1993-94**

Prepared by:

Bob Ricks

**Finance and Management Information Department
Metro**

Estimate April 28 with one month @
 Rest of year at

6.00%
 7.00%

FY 1993-94

DRAFT

EXCISE TAX ESTIMATE FOR FY 1993-94

09/16/93

Net Revenue After Excise Tax	PROJECTED TAX REVENUE AT 7.00%	Gross Revenue Including Excise Tax
	\$5,244,106	

BUILDING MANAGEMENT

347220 Sublease Income
 374000 Parking Fees

\$405,556	\$28,048	\$433,604
\$179,586	\$12,420	\$192,006

Subtotal

\$585,142	\$40,468	\$625,610
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METRO PARKING GARAGE

374000 Parking Fees

\$340,294	\$23,535	\$363,829
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ZOO

347100 Admissions
 347210 Rental-Conveyances
 347220 Rentals-Building
 347311 Food Service-Regular/Food
 347312 Food Service-Regular/Beer&Wine
 347321 Food Service-Catering/Food
 347322 Food Service-Catering/Beer&Wine
 347400 Retail Sales
 347410 Retail Sales-Vending
 347910 Tuition & Lectures
 347920 Exhibit Shows/Zoo
 379000 Misc Revenue
 347940 People Mover
 347930 Railroad Rides

\$2,949,670	\$201,572	\$3,151,242
\$45,093	\$3,082	\$48,175
\$936	\$64	\$1,000
\$1,803,738	\$123,262	\$1,927,000
\$76,755	\$5,245	\$82,000
\$421,215	\$28,785	\$450,000
\$21,529	\$1,471	\$23,000
\$786,737	\$53,763	\$840,500
\$56,607	\$3,868	\$60,475
\$232,908	\$15,916	\$248,824
\$5,148	\$352	\$5,500
\$48,291	\$3,300	\$51,591
\$57,566	\$3,934	\$61,500
\$422,151	\$28,849	\$451,000

Subtotal

\$6,928,345	\$473,462	\$7,401,807
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Estimate April 28 with one month @
Rest of year at

6.00%
7.00%

FY 1993-94

DRAFT

EXCISE TAX ESTIMATE FOR FY 1993-94

09/16/93

Net Revenue After Excise Tax	PROJECTED TAX REVENUE AT 7.00%	Gross Revenue Including Excise Tax
	\$5,244,106	

Solid Waste

341500 Documents & Publications	\$3,461	\$239	\$3,700
343111 Disposal Fee-Commercial	\$24,495,534	\$1,692,452	\$26,187,986
343121 User Fee-Commercial	\$22,708,670	\$1,568,994	\$24,277,664
343131 Regional Transfer Charge	\$5,801,805	\$400,860	\$6,202,665
343185 Tire Disposal Fee	\$54,206	\$3,745	\$57,951
343195 Yard Debris Disposal Fee-Cash	\$162,138	\$11,202	\$173,340
XXXX Non Metro Facilities	\$11,734,768	\$810,872	\$12,545,641
343200 Franchise Fee	\$2,502	\$173	\$2,675
Household Hazardous Waste Charges	\$110,093	\$7,607	\$117,700
343230 Refrigeration Unit Disposal Fee	\$52,044	\$3,596	\$55,640
343300 Salvage Revenue	\$62,677	\$4,331	\$67,008
343900 Tarp Sale	\$935	\$65	\$1,000
343800 Sublease Income	\$2,290	\$158	\$2,448
Subtotal	\$65,191,124	\$4,504,294	\$69,695,418

PLANNING FUND

339200 Contract Services (Private)	\$171,450	\$11,933	\$183,383
341310 UGB Fees	\$2,500	\$174	\$2,674
341500 Documents & Publications	\$30,000	\$2,088	\$32,088
341600 Conferences & Workshops	\$21,000	\$1,462	\$22,462
379000 Misc Income	\$0	\$0	\$0
Subtotal	\$224,950	\$15,657	\$240,607

OREGON CONVENTION CENTER

347220 Rentals-Building	\$1,177,890	\$82,217	\$1,260,107
347230 Rentals-Equipment	\$0	\$0	\$0
347500 Merchandising	\$15,000	\$1,047	\$16,047
347600 Utility Service	\$662,000	\$46,208	\$708,208
347700 Sales Commissions	\$35,000	\$2,443	\$37,443
372100 Reimbursements - Labor	\$220,000	\$15,356	\$235,356
374000 Parking	\$564,746	\$39,419	\$604,165
Subtotal	\$2,674,636	\$186,690	\$2,861,326