



METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

Date: February 5, 1992

To: Rate Review Committee

From: Councilor Ruth McFarland

Re: Committee Meeting on February 10, 1993

Attached is the Agenda for the February 10, 1993 Committee meeting and the Meeting Minutes for February 3, 1993. The support materials for Agenda Item #2 (Code Amendments) will be distributed at the meeting.

MR:clk

Attachments

cc: Dick Engstrom, Deputy Executive Officer
Bob Martin, Solid Waste Director
Jennifer Sims, Finance and Management Information Director
Craig Prosser, Financial Planning Manager
Bob Ricks, Senior Management Analyst
Roosevelt Carter, Budget & Finance Manager
Maria Roberts, Senior Management Analyst
Kate Giese, Senior Management Analyst
Jeff Stone, Senior Management Analyst
Roger Buchanan, Metro Councilor
John Houser, Council Analyst

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RATE REVIEW COMMITTEE
MEETING MINUTES
February 3, 1993

METRO STAFF PRESENT

Bob Martin
Roosevelt Carter
Debbie Gorham
Maria C. Roberts
Jeff Stone
Bob Ricks, FMI

GUESTS PRESENT

Jack Polans, Interested Citizen

RATE REVIEW COMMITTEE MEMBERS PRESENT

Ruth McFarland, Chairperson
Andy Thaler
Steve Schwab
James Cozzetto Jr.
Shirley Coffin
Elenora Fielder
Ross Hall

Chair McFarland brought the meeting to order.

McFarland: Since the Minutes from the January 27 meeting have just been distributed I will ask you to take them home and read them and I will ask for approval at the next meeting. Let's move to the next agenda item which is: Proposed Solid Waste Disposal Waste Assuming Additional Revenue Generated by Extending the Tonnage Rate Base to Include Processors. I discussed the proposal with Maria Roberts and Roosevelt Carter and then discussed the concept of \$3.00 for the recycling component or "System Management Charge" with fellow councilors. I believe that if the proposal is presented in the right approach they would be amenable to the change.

Martin: Solid waste staff members have discussed the user fee adjustment, how it would work, what it would mean to potential rate payers, how much revenue it would raise and what it would do to the rate. Staff would be presenting a revision of the overall rate that reflects the impact of the user fee change. Ms. Roberts and Mr. Carter will discuss how that rate was calculated. Our usual numerical presentation on the rate analysis shows a rate of \$75.00 per ton. That was made possible as a direct result of two things: 1) we

assumed we do make this change in the user fee; and 2) we will in fact dip into those reserves to the extent of approximately \$500,000.

McFarland: Is this what the \$.50 cents means?

Martin: No the fifty cents refers to the rehabilitation and enhancement fee or host fee.

McFarland: Where can I find on this handout how much we took out?

Roberts: On the last page.

McFarland: Credit from processors? \$1,471,500, is that it?

Mr. Martin: That is the amount of revenue raised from what we now calculate to be a \$3.50 fee on the processors.

McFarland: I was looking for the amount that came out of our reserve.

Martin: The amount right above that, the \$515,00 is the amount we would have to draw out of that reserve.

McFarland: Fund balance carryover, is that it?

Martin: If you recall we estimate the reserve to be about \$4.6 million. This would draw that amount down to about \$4 million. We will be able to use that \$4 million to smooth out the range of rate increases over the next four or five years. If the change in the user fee is adopted, assuming this budget of course, then we will need to draw \$515,000 of the reserve and that will avoid all necessity for a rate increase for the coming year and we will also not have to have big spikes in the rate in subsequent years.

Roberts: The changes from the \$75 scenario from last meeting are the credit of \$1.4 million and the use of the \$515,000 from the reserve in order to maintain the \$75.00 per ton rate.

McFarland: How much is the system fee going to be?

Roberts: \$3.50 per ton.

McFarland: I seem to remember talking about \$3.00 at the last meeting.

Martin: We did. But last time we had not clearly identified all of the rate payers nor the tonnage involved, we were only talking about concepts.

Thaler: The \$515,000 fund balance carryover is being brought into the rate from the reserve. Was that amount also to be taken if we adopted the \$77.00 rate.

Roberts: No

McFarland: We talked about getting the rate down as far as we could and then using some money from the unappropriated balance to buy it down to \$75.

Martin: The important thing is these changes do not increase the level of expenditures, it simply reallocates the source of the revenue for those expenditures. If there are no more questions on the rate analysis, I would like to move to the staff report which discusses the incorporation of the processors into the Solid Waste System. I asked Black & Veatch to look into the user fee computation and they have generated their analysis of the proposal, a copy of which has been included in your agenda items. I want to commend their efforts in undertaking this project in a very short time frame. Their example of how this rate would be calculated is exactly the way in which Ms. Roberts did in fact calculate it.

Roberts: We received updated figures on tonnage after they submitted their analysis.

Martin: The one thing I took issue with in the Black & Veatch memo is the suggestion they had that we could initially establish this fee on the basis of the recycling, planning, educational costs to Metro and then later we could add in our transfer costs to the overall picture which would basically double the fee. He said that would send out the wrong message and not do a "bait and switch" and he would not encourage the notion that we are just trying to get our foot in the door only to continue raising the fee.

Thaler: If you charge \$3.00 for the tonnage that goes in, do they still pay full bore for the tons that are disposed?

Martin: No, they get a credit. We have been wrestling with who will have to pay this rate -- how do we identify the rate payers, what is the definition of processors?

McFarland: Excuse me, but returning to the credit, you said they get the credit of \$3.50, how does that work?

Martin: Each month the processors turn in a report which indicates how many tons were received and disposed of. We would change that reporting form to accommodate the credit. They report to us monthly how many tons they receive, how many tons they dispose and recycle. On all the tons they receive, they would multiply that by \$3.50 and owe us that amount. On the tons they disposed, they would multiple that by the Tier 1 fee and then subtract the \$3.50 times the tonnage disposed.

McFarland: I wanted to have a thorough understanding on this because the committee members and myself will have to be the spokespersons for this proposal.

Ricks: When you mention \$3.50 is that the net to the department? Is the \$3.75 being the gross, the amount including the excise tax?

Roberts: The rate is not that which is depicted on page 2, which is Black & Veatch's accounting. The system management fee will be \$3.50 including the excise tax.

Martin: The next question is who will pay this fee. We basically decided that it would be all facilities receiving solid waste for disposal, treatment and processing for a fee. We are not interested in getting into some of the recycling centers, the drop off centers or people who are non-profits -- thrifts for example who are receiving materials from the public for reuse and recycle. We are interested in those persons who are treating or processing waste, a variety of types of waste, for a fee. Specific categories include: some entities which do disposal for a fee which include the general purpose transfer stations, landfills, limited purpose landfills, inert materials landfill. Transfer stations and landfills pay the full user fee and most likely would not affect them at all. Inert materials landfill is a new category which will be affected and I believe we have identified five landfills in the region which take a variety of kinds of waste generally described as inert -- concrete, rocks and dirt from excavations. However, many are processing, some recovery of hog fuel, recyclable materials and they are becoming management issues because they are receiving wastes which are not appropriate for them to receive. DEQ has become involved with a couple of "inert" landfills recently because they have received drop box loads of garbage waste and are essentially finding holes in the ground to put waste in order to avoid the facilities that everybody else has to pay for.

Cozzetto: Some of the ones that currently take material are not set up with scales nor are they franchised by Metro so how will that be monitored?

Martin: You're right, and I would recommend that we will need to make an exception to the portion of the Metro Code that requires our fees to be paid on the basis of certified scale rates and go back to those kinds of facilities and do a conversion as we used to do on the basis of so many cubic yards per ton, because we are not talking about a large rate.

Cozzetto: Inert materials are generally concrete, dirt, very heavy material. The average load is probably four to five tons, so we are talking an additional fee of perhaps \$15. Most of those facilities currently charge \$10 per truck load so we are essentially doubling their fees. My concern is that this might create other areas where this material may flow to if the rate makes a substantial jump. In fact some of these facilities are not contracted through Metro. Currently a great many of those materials are unregulated. For instance a property owner says, I could use some of that dirt, put it in this hole.

Martin: That happens and there is nothing wrong with that as long as it is clean fill and inert material. But there is a lot of material that is going to these areas that is not clean fill. I believe that no matter whether it is \$15 per load or \$25 per load, that is still a fairly cheap way of disposing of this material.

Cozzetto: I am not arguing that it is too expensive, simply that you are going from sometimes zero to \$3.50 per ton and some people may discontinue conscientiously dumping at these facilities. It could in fact create an enforcement problem.

Martin: The second major category for this fee is the people who are processing waste for a fee. Obviously the mixed solid waste compost facility, should it ever come into operation would have to pay a fee on the amount of material coming into the facility which they did not previously have to pay. Material recovery facilities or MERFS, which might include facilities already under franchise with us, i.e., Wastech, Marine Drop Box, East County Recycling, JB Recycling. The third type of facility would be the yard debris facilities, which are currently outside our regulatory control. They are exempted from being franchised and pay no fees whatsoever for waste of any kind. Petroleum contaminated soils processing which the Code currently exempts them from paying any user fee at all.

Cozzetto: Could this also go towards on-site remediation, maybe as part of their permit?

Martin: Probably not, but I could inquire of that question. Our authority to manage waste which never leaves the property in which it was created is arguably somewhat limited. DEQ is actually trying to attach a fee by necessitating a \$500 permit fee for PCS.

Cozzetto: If Metro does not want to promote on-site remediation, it might be construed as promotion by putting a tax on the processors that are taking it at a landfill or a processing facility, whereas on-site remediation does not require a fee.

Stone: I wonder if the concept of "for a fee" would not come to play for on-site remediation because you are not paying someone to take it.

Martin: The final category of rate payers would be those organizations or businesses that are doing wood processing or processing other clean materials such as Wood Exchange, Bredl Saw. These are all examples of the types of facilities that would be \$3.50 per ton rate payers. We have been compiling a list of the names of these organizations and it comes to about 20-25 entities.

McFarland: Are we likely to receive a large public outcry on this?

Martin: My past record on predicting public outcry is not the greatest, but the entities I have discussed this subject with and who are potential rate payers do not see a modest fee as a problem. Specifically, Wastech, East County Recycling, Oregon Hydrocarbon.

McFarland: I believe the statement I heard at the last committee meeting put it quite well which was that if we go ahead and never charge anything for the recycling part, the last load of garbage will cost \$14,000,000. The point being that we are working against ourselves with the current process.

Martin: It will be very difficult to continue to fund the level of recycling, public information activity we have with a shrinking tonnage base. Of course the shrinking tonnage base is precisely what we are trying to get.

Cozzetto: We are talking about taxing some facilities that are taking clean loads of wood "recyclables" also facilities taking yard debris and taxing a couple of different types of recyclable materials. Where do you draw the line, i.e., Owens Glass is taking glass, paper companies are taking paper, Wastech itself takes clean loads of corrugated or mixed loads of corrugated with some waste. How do you decide which materials should pay? We have tried to distinguish this as people or facilities taking waste of any kind "for a fee". If you are taking waste and you are paying somebody it is quite the opposite. You are either a buy back center or you are taking a commodity, something that is valuable and paying people for it. This is a different situation from when you are taking something that somebody basically wants to get rid of, but you can do it in a way that is less costly than disposal but you still need to charge a fee. If you are making money off of garbage, the opportunity to have that type of business here is being provided by the way in which Metro is administrating the system -- the way in which we are providing information to potential customers and those expenses should be equally borne by everybody who is engaged in the business of making money off that garbage.

Coffin: How did you determine or calculate the money you theoretically will receive from the processors?

Martin: We looked at the processors we knew of for which we have tonnage fees and calculated it from those figures.

Schwab: Is zero considered paying, which is the DEQ's analysis of fair market value?

Martin: No, if someone is taking material for free they are a drop box center, for instance.

Schwab: Fair market value says if you are hauling and not charging, you are hauling it for free, that is the payment -- the material. Even if you are not paying \$10 a ton a load, if I haul it for free for you, I am paying you by taking it away. So zero is the bottom line.

Martin: But I don't really want to get into that. It would cost us more to administer than we would realize.

Martin: The green bar graph deals strictly with tonnage and the blue bar graph shows the actual tonnage but we are projecting to be rate paying tonnage through the five-year period. We are estimating a basically flat line through the next five years. The green bar graph shows tonnage if we add these new rate payers. The difference in each year scenario represents the amount of tonnage that is paying only the \$3.50. You can see from the graph there is a fair amount of tonnage coming into the system. The bottom bar graph shows the impact of all of this on the rate. The blue bar graph shows what I would be recommending our rate to be for next year and what follows is the pattern I suggest for

the following years if we don't make this change. If we do not follow this scenario we will be at \$77.00 next year and about a 5% increase every year thereafter. The effect of this change is that we can lower that \$77.00 to about \$75.50 and we get all the way down to the \$75 figure we have been discussing by spending \$515,000 of the reserves. Thereafter we will continue on that same 5% per year but in each case we will be able to buy down the rate using approximately \$1.50 each year with a portion of the reserves.

McFarland: In your testimony before the Council Solid Waste Committee you stated that our contingency would largely stay intact this year because we have done a better job of predicting the solid waste flow and have consequently had not had to draw on that to pay for either more or less tons. How high must we build that contingency fund before we can remove it from the rate structure, for perhaps a year?

Martin: These rate assumptions are on the basis that in any given year we will budget approximately a \$2 million contingency fund and in any given year we will use no more than one-quarter of that. So three-quarters of the contingency fund in any given year remains unspent each year to go forward and be reapplied for the buy down.

McFarland: So if we have the \$2 million we wouldn't need to write in anything for that year.

Roberts: That is correct and that is what we are doing with this rate.

Martin: You have to appropriate money into a contingency fund each year but if you don't spend it in one year it is available for reappropriation the following year -- you don't have to raise it through any rate change.

Polans: Is there a legislative rate dealing with the contingency -- the amounts of dollars, anything in the code about that?

Martin: It is usually financial advisors doing an analysis of cash flow and exposure. What would happen if we, say were 5% over or under on our tonnage, how much money would we have to have in the contingency account to basically avoid going broke.

Polans: So then the financial advisor actually makes the decision or suggests the decision for the code?

Martin: We have been budgeting about \$2 million per year based on previous recommendations of a financial advisor.

McFarland: And our experience.

Coffin: What was the rationale for going from 6% to 7% on the excise tax? Is there an increase in the administrative or personnel?

McFarland: Unless I am mistaken that 7% maximum was in the new Charter, was it not? I am not absolutely certain that 7% excise will pass.

Ricks: If I might respond a little to the excise tax question. When that was set up by the State they placed 6% of gross revenue, not of the revenues of any given category. If we have several categories of exempt revenue like grants from the Federal or State governments, those are exempt from being taxed but count as part of the gross. As a simple example, if half of our revenue came from categories that we couldn't tax, then the tax could have been 12% on the rest. The tax limit was on the gross amount not on the portions of it that elected tax. The Council elected, in a given year, to charge 6% in order to offset the general government kinds of expenses, but with the new Charter, the problem we have is that it mandates some additional activities that will cause additional expenses and we are looking at how do we fund the Charter mandated additional expenses. One of the proposals is that it be a 7% excise tax rate. That is not set yet and is part of the process that Council will vote on.

McFarland: And didn't the Charter also remove that limit?

Ricks: I think that it did indeed do that, but we would not have been limited to a number less than about 9% under the old rules anyway. It's just that the revenue which was required at that time was adequately handled by the 6% and now it isn't.

Martin: We will have to do studies on reapportionment and the Charter sets up an entirely new elected position, as well as new committees.

Thaler: You will be using up your unappropriated fund balance, and that will cut in on your interest revenues, are you using current rates?

Roberts: We have used 4%.

Cozzetto: The system management charge, how did you arrive at the \$3.50 fee and is that tied to a certain fund, and how will you adjust it in the future?

Martin: I believe the best way to see that is to turn to the memo that Black & Veatch prepared, the second page. In order to calculate that rate we determined the kinds of expenses incurred which benefit all of the users of the system including those who are processors or recyclers. We included such things as department overhead for administration, budget and finance, we backed out the fees we pay DEQ, we put planning costs, waste reduction activities including Metro Challenge Grants and the 1% for Recycling Grants, salaries and studies in the area of waste reduction and demonstration grants on waste recovery, the costs of running the Recycling Information Center which is a rather direct one. Processors receive a considerable amount of referrals -- 40,000 people per year are referred to Wood Exchange, Oregon Hydrocarbons, etc. After these are totaled we came with a figure of nearly \$5,000,000 worth of costs which should be spread out among not just the disposal tonnage but also processing tonnage.

Thaler: If you charge only \$3.50 on the recycling tonnage, that only comes up to about \$1,184,500.

Martin: No, we are charging the \$3.50 on all of the tonnage. Disposers and recyclers pay the same fee. \$3.50 is a part of the overall Tier 1 fee.

Thaler: But you have included the entire amount as a revenue offset.

Roberts: No, we multiple \$3.50 times 450,000 tons and that is the share of the recycles of that Tier 1.

McFarland: That's the excess. The more I hear about it the more I like the idea that recycling will at least pick up a little bit of the slack. We just could not afford to keep these programs going if we continue to be successful in our recycling attempts. Is the committee ready to adopt the proposal of the \$75 tipping fee and with it the \$3.50 System Management Charge, or do you want to think about it some more?

Martin: I am interested in getting feed back on this on whether there is a general belief as to whether or not this is a good idea. But in order to implement this idea we will have to make some Code amendments in various places. One of the things we will have to start working on in that event is to locate those amendment areas and take it to the Council as well as inform this committee as to the exact changes which must be made.

McFarland: I would like you to bring this back to the committee when those changes have been located.

Schwab: If someone wanted the material bad enough, they would take the material for free and then they would be exempt.

Martin: That's true, and there are places like, for instance Hillsboro, who takes covered material like dirt and they take it for free. Metro does not charge fees on that tonnage. It may raise the question of whether people are filling up holes with material which represents improper disposal and it may pose some enforcement problems later on with DEQ and for us, but I would submit we already have those enforcement problems because people are already doing it.

Schwab: How much of the budget was inert material, a small amount?

Martin: No, it was not just a small amount. It was less than half, about 40%, a substantial amount.

McFarland: Well, I think we should look at this further and perhaps talk with some people, in my case other members on the Council who will ultimately have to vote on this even if we do approve it. And if you have associates you would be interested in discussing it with you may do so.

Coffin: Doesn't this have to be passed through the Solid Waste Advisory Committee?

McFarland: Well, we will make a report to them so they understand the process and what we are doing. Bob, how much duplication will we have on that committee?

Martin: Right now Steve and Jim are the only two persons on both committees.

McFarland: I think we settled on a term different from "review", in other words the Solid Waste Advisory Committee does not necessarily pass on it but they do have to be aware of what we have done and why and some level of discussion.

Martin: One of the things I have committed myself to is to do a lot of education on this and I have been trying to adjust my time frame so that I can go to the Advisory committees, talk to the watershed representatives, haulers and a list of others to explain to them what it is about, why it is important, and why it is a good idea. Once people review and understand it I think most recyclers will realize that this is a way in which we can sustain the kinds of efforts that we are currently putting into recycling.

McFarland: We have scheduled meetings for the next two Wednesdays, do we need to do both of those?

Carter: It would be my preference to do the next week meeting on the 10th in case something went awry. We must have a rate submitted by February 17th, 1993.

Martin: We have been talking about this in general concepts and if you think it is worth pursuing, and I do, I am recommending it to the Committee as a viable rate, what we need to do is to start calling some of the potential rate payers who are in some of the types of facilities that will be affected and have them testify to the committee their feelings one way or the other.

McFarland: The next meeting will be next Wednesday, February 10, 1993 at 5:30 p.m. in room 335. The meeting is adjourned.



METRO

2000 S.W. First Avenue
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503/221-1646

Agenda

Meeting: Rate Review Committee

Day: Wednesday

Date: February 10, 1993

Time: 5:30 p.m.

Place: Metro Headquarters, Room 335

1. Approve Minutes for Meeting of January 27, 1993.
2. Approve Minutes for Meeting of February 3, 1993.
3. Staff Report -- Code amendments in order to implement the proposed System Management Fee.
4. Action Item: Recommend FY 93-94 Solid Waste Disposal Rate to the Metro Council Solid Waste Committee.
5. Identify Issues for Future Committee Consideration

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