

MEETING SUMMARY
METRO SOLID WASTE AND RECYCLING COMMITTEE (SWAC)
Metro Regional Center, Council Chambers
Wednesday, April 7, 2010

Members / Alternates Present:

Matt Korot, Chair	Susan Millhauser	Dave White
Scott Keller	Amy Pepper	John Lucini
Audrey O'Brien	Rick Winterhalter	Paul Ehinger, Alternate
Theresa Koppang		

Members / Alternates Absent:

Bruce Walker
Adam Winston
JoAnn Herrigel
Michelle Poyourow

Guests and Metro staff:

Scott Robinson, Metro	Jim Desmond, Metro	Karen Feher, Metro
Jennifer Erickson, Metro	Dan Blue, City of Gresham	Kevin Six, Metro
Babe O'Sullivan, City of PDX	Doug Anderson, Metro	Ray Phelps, Allied Waste
Marv Fjordbeck, Metro	Dean Kampfer, Waste Mgmt	Gina Cubbon, Metro

I. Call to Order and Agenda Overview.....*Matt Korot*

Matt Korot opened the meeting and briefly outlined the proceedings.

II. Excise Tax Simplification and Stabilization Ordinance*Scott Robinson*

Metro Deputy Chief Operating Officer Scott Robinson explained the proposed Excise Tax Simplification and Stabilization Ordinance (see attachments).

III. Public Comment on Agenda Item 2

None.

IV. Report on Metro Council Discussion Regarding SWAC Focus.....*Matt Korot*

Mr. Korot told the group that he spoke to the Metro Council about SWAC looking at issue(s) involving the food system. Council indicated that it approved of this area of concentration and the approach of starting broad and then narrowing the focus. Councilors indicated they would like to be updated roughly mid-way through the process.

V. Food: The "Lay of the Land".....*Jennifer Erickson*

Mr. Korot introduced this item by saying that at the last meeting JoAnn Herrigel suggested that we map the opportunities within the food system to address the environmental impacts associated with the inputs and outputs of that system. Staff has created such a map (see attachment) and Jennifer Erickson will take us through it. Before turning the discussion over to Ms. Erickson, Mr. Korot highlighted the food system-related goals to be achieved through any actions taken by Metro and its regional partners (see attachment).

Ms. Erickson explained current methods used for production and distribution of food in the region, as well as ornamental landscaping, have significant environmental impacts. Overuse of chemical pesticides and fertilizers, soil erosion, greenhouse gas production, and the use of petroleum-based products for packaging, transportation and distribution are just some of the problems at hand.

Between 25-30% of food grown never makes it to market because of pricing, surplus, or no labor available to harvest the crop. If food doesn't have at least a five-day shelf life, it never hits the stores; up to 50% of the food thrown away is likely edible. The Metro region sends an average of 180,000 tons of food waste to the landfill every year. When non-recyclable food packaging is factored in, the number jumps to 271,000 tons – 21% of the entire wastestream. Over 50% of grocery store waste is food, mostly produce. Restaurant waste contains 60% food. In both cases, the option of donation is viable and helpful.

Metro would like to implement policies and programs that will enhance sustainable local food systems, reduce the generation of food waste, distribute edible surplus food to its highest and best use, and manage the residual in an environmentally sound manner, all in a way that balances economics, the environment, and social equity.

SWAC member questions/comments:

- More information on alternative energy would be helpful to inform both end-of-life and public education portions. It's important to make sure Metro and local governments move together rather than in conflicting directions.
- Can baseline information on greenhouse gasses be gathered? For instance, does backyard composting create greenhouse gas? Also – what is the down side of sending food down the garbage disposal: Are there highest and best use implications?
- Metro shouldn't spend a lot of money on research; abbreviated analyses can supply general information. David Allaway at DEQ would be a great source.
- Why do grocery stores display produce the way they do, knowing it will create waste? The group's focus may turn out to be donation, because Metro can't go out and tell grocery stores how to display, or farmers how to produce food. Perhaps work with the restaurant association to promote waste reduction.
- What's in the 110,000 tons per year currently disposed? Is it a problem with cost? (That figure came from a study which included a couple of large producers of pre-sliced and peeled produce, which skews the numbers. Those numbers were preliminary, but expected to rise significantly when the corrected numbers are published.)

Staff will gather more information on environmental impacts and how they play out at each stage of the food life cycle.

Mr. Korot briefly reviewed potential criteria that SWAC could use for determining and prioritizing the committee's focus areas or problem statements. Discussion was deferred to a later meeting.

VI. Public Comment on Agenda Item 5

Babe O'Sullivan from the City of Portland spoke on behalf of SWAC member Bruce Walker, who was recuperating from a bicycle accident. The City's pilot project for mixing residential food scraps with yard debris will launch May 3. Four waste haulers are participating; the study will include about 2,000 households. Food scraps and yard debris will be mixed in the current yard debris bins and picked up weekly. Garbage will only be picked up every other week. The City decided to make both collection changes at the same time to give a strong incentive to dispose food waste with yard debris and to cut back on garbage. They will report to the Committee as the pilot progresses.

Regarding food waste planning region wide, she continued, it will be crucial to put the infrastructure in place – getting composting facilities up and competition going, and a plan for getting the waste from the curb to the composting facility. The City of Portland has found that the combination of food and food waste packaging that’s available for composting is about 30%. As for highest and best use options, there’s a growing consensus that the opportunity for waste-to-energy recovery is being....well, wasted. While an integrated system of energy and composting would have some environmental trade-offs, it would still work very well. The City is going to look at the entire waste hierarchy – food waste may need to move up. A study was done by the State of California that could really help inform the SWAC discussions.

VII. Next Steps.....All

- Staff will respond to comments and suggestions for building a data baseline, which may be tested with the SWAC members prior to the next meeting.
- Continue adventures in scheduling for SWAC meetings.
- Members should email any changes / edits to the previous minutes to Gina Cubbon.

VIII. Adjourn

With no further comments forthcoming, Mr. Korot adjourned the meeting at 3:25 p.m.

Prepared by:

Gina Cubbon
Assistant to the Director
Metro Parks & Environmental Services

gbc
Attachments
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Fact Sheet
Excise Tax Simplification and Stabilization Ordinance

Making government simpler, more predictable and more efficient is an ongoing goal at Metro. That's why the Metro Council soon will streamline and stabilize one of the ways our region finances its solid waste and other public systems.

In short, Metro will combine two current taxes on solid waste disposal into a single tax and streamline the way the tax is calculated to make it easier and more predictable for everyone.

Currently, a portion of the money Metro collects through solid waste taxes fluctuates depending on the amount of garbage we throw away. When there's more garbage than expected, Metro collects more money than it budgeted. When there's less garbage, there's a shortage of money for important community services.

By combining the two separate taxes and creating a single way of calculating taxes on solid waste everyone involved will have greater certainty about the amount of taxes that will be collected.

In its first year, based on a recent and dramatic drop in the expected amount of garbage caused by the recession, the change will include a rate increase of two tenths of one percent in a typical residential customer's bill and an overall increase of seven tenths of one percent of the total solid waste tip fee, or less than \$650,000 overall.

Before considering the change, Metro staff worked closely with representatives of the businesses that support our solid waste system. The proposed changes also were presented to Metro's independent, citizen-based Solid Waste Advisory Committee. Both groups agreed that making these changes will reduce fluctuations in tax collection and limit Metro's ability to over collect in the future.

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Excise Tax Simplification and Stabilization Ordinance Summary from the Proposed Budget

Excerpt from the FY 2010-11 Proposed Budget narrative released April 1, 2010:

Excise tax, except for construction excise tax, is reset each year following a method prescribed in Metro Code. The proposed budget implements a new proposal to combine both the “Base” per ton excise tax rate and the former “Additional” per-ton rate into a single rate calculation. The specific purposes of the “Additional” per-ton rate were removed from Metro Code in 2006 and became part of the annual budget process in FY 2007-08. The recent severe decline in tonnage demonstrated Metro’s increasing vulnerability for the “Additional” per-ton portion of tax. In combining the two into a single rate calculation Metro will gain stability and predictability in the excise tax collections in times of flattening or declining tonnage. As a trade-off, Metro will forego windfall collections in periods of increasing tonnage. The charter limitation on expenditures remains unchanged. This balanced approach is consistent with Metro’s financial policies to “maintain a diversified and balanced revenue system to protect it from short-term fluctuations in any one revenue source.”

The Excise Tax on Solid Waste A Brief Policy History

- 1990 Excise Tax Adopted.** Metro adopted an excise tax to fund its general government activities. It was implemented as an *ad valorem* tax on the gross revenues of Metro's own enterprise activities and on privately-owned solid waste facilities. The solid waste tax rate would vary between 5¼ and 8½ percent over the next decade. *Reference: Ordinance No. 90-333A*
- 1992 Voters Approve the Metro Charter.** The Charter limits the amount of annual expenditure from taxes that are not approved by a general vote. The initial cap was \$12.5 million, which rises annually at the rate of the consumer price index. The FY 2011-11 limit will be \$19.3 million. Other than the CPI increases, the expenditure limit can be raised only by a vote of the people.
- 2000 Conversion.** Metro converted the *ad valorem* solid waste excise tax into a specific (per-ton) tax. The tax rate itself is not set in code; rather, the amount of revenue the tax is to raise, together with a formula for calculating the rate annually. Because the changes were quite extensive, they are summarized in a separate supplement, "The 2000 Conversion of the Solid Waste Excise Tax." *Reference: Ordinance No. 00-857B*
- 2002 "Buck a Ton for Parks"** In 1995 voters had approved a bond measure that provided funds for acquisition of greenspaces, but not for improvements and operation. Facing a growing operating shortfall, Metro enacted a three-year \$1 per ton surcharge ("Additional Tax") while an *ad hoc* "Green Ribbon Committee" developed recommendations on permanent funding for greenspaces development and operations. *Reference: Ordinance No. 02-939A*
- 2004 Additional Tax made Permanent.** With a plan for parks and open spaces finalized ("Four Parks in Four Years"), Metro modified the Additional Tax to fund the capital and subsequent ongoing operating costs of the new plan. Metro made the Additional Tax permanent, and increased the rate by \$2 to a total of \$3.00 per ton. The Metro Council also announced this as the first of three such two-dollar increases over a three year period, although the second and third increments were not implemented. The tax rate is set in Metro Code and increases each year at the rate of the consumer price index. If continued unchanged into FY 2010-11 the rate would be \$3.47 per ton. *Reference: Ordinance No. 04-1048A.* In a subsequent action, Metro amended the code to dedicate \$2.50 of the new Additional Tax to parks, and \$0.50 to the Metro Tourism Opportunity and Competitiveness Account (MTOCA). *Reference: Ordinance No. 04-1052.*
- 2006 Dedicated Funding Repealed.** Finding that the best financial practice is to use the code for revenue generation and to leave resource allocations to the budget, Metro repealed the code-based dedication of funding for parks and MTOCA. *Reference: Ordinance No. 06-1116*
- 2008 Deposits of Surpluses to Reserves Repealed.** Having repealed the excise tax recycling credits with passage of the Enhanced Dry Waste Recovery Program the year before, Metro repealed the code requirement to deposit any revenue over the statutory yield into the Recovery Rate Stabilization Reserve. *Reference: Ordinance No. 08-1187A*
- 2010 "One Tax" Initiative.** In April 2010 the Metro Council will consider whether to simplify and stabilize the solid waste excise tax by combining the expected FY 2010-11 yield of the Additional Tax with the statutory yield of the Base Tax, and repealing the Additional Tax. For more on this initiative see the attached fact sheet, "Excise Tax Simplification and Stabilization Ordinance." *Reference: proposed Ordinance No. 10-1239.*

Supplement to the Excise Tax Policy History The 2000 Conversion of the Solid Waste Excise Tax

In 2000 the Metro Council adopted Ordinance No. 00-857B, which converted the solid waste excise tax from a percentage of gross revenue to a per-ton rate. The changes are summarized in this supplementary note.

The Council's Stated Goals for the Change

- Provide tax incentives to encourage additional recycling.
- Ensure that Metro's tax system does not hamper achieving our recycling goals, but actually assists in achieving those goals.
- Provide a more predictable level of funding for Metro's charter-mandated programs.
- Provide a simple method of calculating the annual tax rate.

The Elements of the Change as Identified by the Council

1. Convert the current percentage excise tax to a per ton tax.
2. Set the initial tax rate at a level that would raise revenue equal to the amount raised by the current percentage tax. Place the amount to be raised in Metro Code and allow the amount to increase based on the consumer price index.
3. Establish a methodology for calculating the tax rate annually based on the prior year's solid waste tonnage and an aggressive percentage recycling goal.
4. If actual revenues exceed the amount calculated under the ordinance, all excess funds would be placed in a special account or used to enhance the tax credits for facilities that recycle at higher levels.
5. Spending from this account would require a specific action by the Council.
6. Establish tax credits for recycling facilities to encourage additional recycling.

Further Explanation and Discussion of the Elements of the Change

Element 1. The conversion of the percentage excise tax was driven by three primary considerations:

- Rate payer equity. The *ad valorem* excise tax had resulted in different rate payer liabilities that depended solely on tip fees at individual facilities, often for essentially the same kinds of waste. The council found that a per-ton tax helped to ensure that equal disposal was taxed equally.
- Revenue risk management. Under the *ad valorem* tax, the rise of vertically integrated companies put Metro's tax revenues at risk if these companies were able to manipulate prices at the points where the tax was levied (the "transfer pricing problem"). A per-ton tax eliminated this risk.

- Resolution of conflicting management goals. The council found a policy conflict to exist between meeting the region's recycling goals and the need to fund Metro's programs that depend on the excise tax. See discussion under Element 3 below.

Element 2. Set the initial tax rate at a level that would raise revenue equal to the amount raised by the percentage tax. Place the amount to be raised in the ordinance and allow the amount to increase by CPI.

Driver	Implementation and Discussion
The council wanted to signal that Metro was not seeking new money with this change.	The tax was to be revenue neutral on conversion. The annual solid waste tax revenue from the <i>ad valorem</i> tax, about \$5.7 million per year at the time, was denominated on tonnage, for a \$5.04 initial rate.

Element 3. Establish a methodology based on the prior year's tonnage and an aggressive recycling goal.

Driver	Implementation and Discussion
The tax structure had to support recycling while maintaining tax revenue. The implementing policy was to make disposal more expensive the farther the region fell short of its recycling goals.	The tonnage base actually used for calculating the rate was to be reduced to the level <i>that would have been disposed</i> had the regional recovery goal been achieved. The reduced tonnage denominator would (mathematically) result in a higher per-ton rate given that the same revenue had to be raised. The higher rate was intended to be an economic disincentive to disposal; hence, an incentive to recycle. Because Metro would not be able to control the parameters that set the rate in the future (see <i>Legal Element</i> below), the council adopted an “aspirational” recovery rate schedule based on RSWMP objectives to be used to adjust the tonnage bases underlying the rate.

Element 4. If actual revenues exceed the amount calculated under the ordinance, all excess funds would be placed in a reserve or used to enhance the tax credits for facilities that recycle at higher levels.

Element 5. Spending from this reserve would require a specific action by the Council.

Driver	Implementation and Discussion
Stakeholders expressed concern that the tax would have a propensity to collect more than the stated yield if the rate were to be based on last years’ tonnage, then applied to the next year’s tonnage, as long as tonnage continued to grow.	To address this driver the council adopted a series of steps for managing any surplus of revenue above the target adopted in code: <ul style="list-style-type: none"> • A Recovery Rate Stabilization Reserve was established. • Revenue above the stated yield was to be deposited into the reserve. • The reserve could grow to a maximum of 10 percent of total solid waste excise tax collections. • The “kicker.” Under the thesis that surpluses arise primarily from falling short of the aspirational recovery goal, any reserve balance above the maximum would be used to supplement recycling credits to recovery facilities.

<Element 4 & 5 discussion continued on the next page.>

Elements 4 and 5 *continued.*

<u>Driver</u>	<u>Implementation and Discussion</u>
They also argued that the aspirational rate adjustment would only exacerbate this situation.	<ul style="list-style-type: none">• If recovery credits rose to a level that completely offset the tax liability of a recovery facility, the surpluses would stay in the reserve.• Any other use of the reserve funds required an action of the council.

Element 6. Establish tax credit for recycling facilities to encourage additional recycling.

<u>Driver</u>	<u>Discussion</u>
Consistency with recovery programs of the RSWMP and SW Fund.	The ordinance implemented recycling credits for recovery facilities, patterned exactly after the Regional System Fee credits available at the time.

A Legal Element

<u>Driver</u>	<u>Implementation and Discussion</u>
Historically the council did not have to act annually on the <i>ad valorem</i> rate, and the majority of councilors wanted this feature to continue under the new system.	To avoid annual action, none of the factors affecting the rate could be under Metro's control after initial adoption of the ordinance. Hence: <ul style="list-style-type: none">• The formula for calculating the rate was set in code.• The ordinance included the initial tax revenue to be raised.• Thereafter, the amount of revenue could grow only by the CPI rate.• The rates were to be based on the previous year's actual tonnage.• An aspirational recovery rate schedule was adopted in code, to be compared with the actual recovery rate released annually by DEQ.

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FY 2010-11 Solid Waste Rates

The proposed FY 2010-11 rates are shown below. Public hearings are scheduled for April 15, 22 and 29 in the Council Chambers, with final action scheduled on April 29. If this schedule holds, the rates will be effective on August 1, 2010 and remain in effect through July 31, 2011.

Transaction Fees	Current	Proposed	Change
Staffed Scales	\$10.00	\$11.00	\$1.00
Automated Scales	3.00	3.00	- 0 -
Tip Fee by Component			
Tonnage Charge	\$51.65	\$56.45	\$4.80
Regional System Fee	17.53	16.72	(0.81)
Excise tax	9.83	10.94	1.11
DEQ & host fees	1.74	1.74	- 0 -
Metro Tip Fee	\$80.75	\$85.85	\$5.10

The minimum load charge is proposed to hold steady at \$28, but with a small (40 pound) reduction in the size threshold. The current threshold is 440 pounds. The Environmental Cleanup Rate is proposed to remain at \$2.50 per ton (plus \$1.00 excise tax).

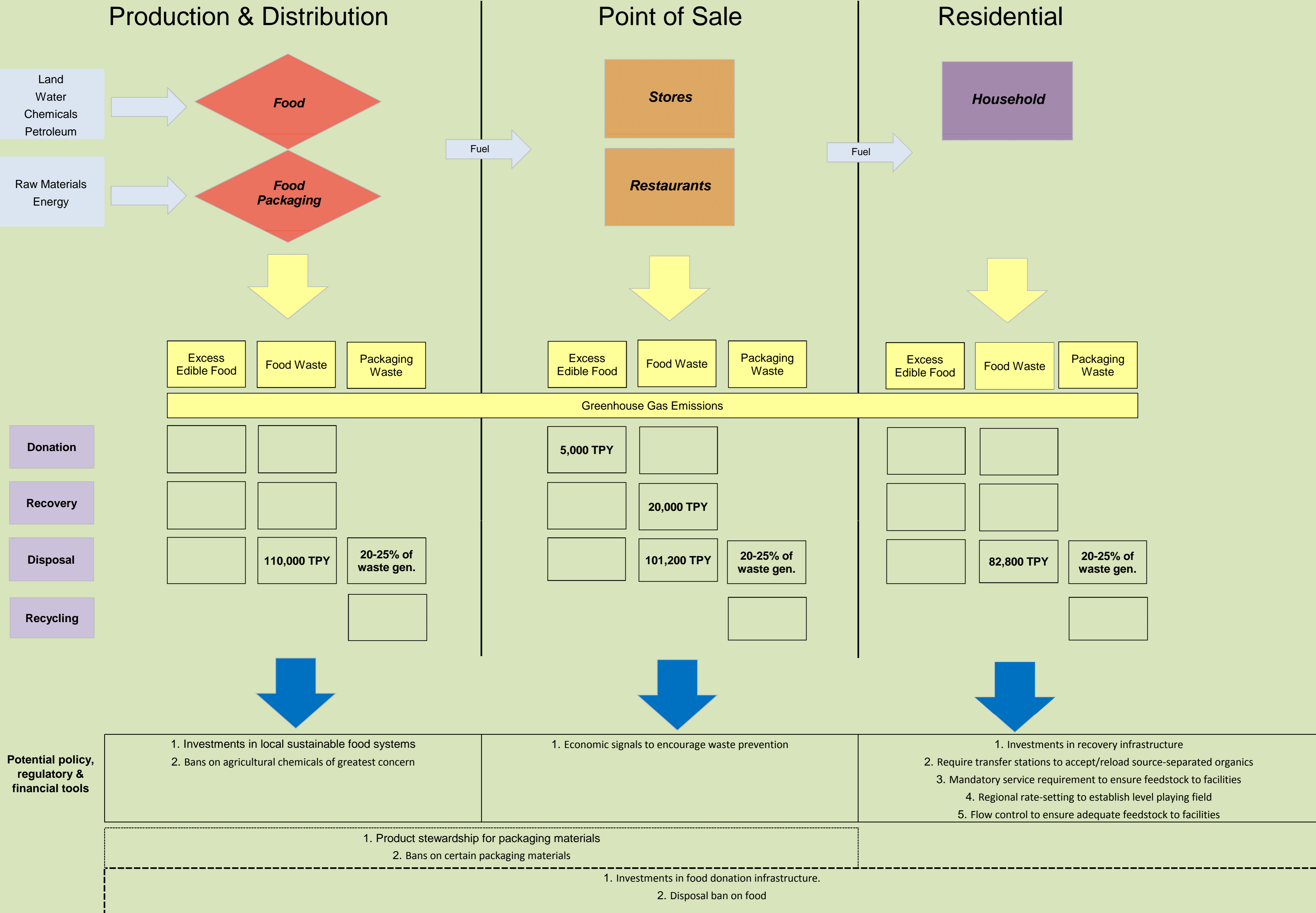
The \$5.10 increase is almost the same as last year's increase of \$5.00. However, unlike the current rates which were supplemented with solid waste reserve funds to mitigate the economic impact on rate payers, the proposed rates are "pay as you go" and fully recover the expected costs of the FY 2010-11 operating budget.

The main drivers of change are:

- Up The return to the pay-as-you-go policy.
 New station operating contracts and the first full year of the new transport contract
 Reduced investment income available to offset the rates.
 Excise tax initiative (62¢ of the \$1.1 excise tax increase)
- Down Reduction in fuel and disposal costs
 \$1.6 million in new revenue from the PaintCare product stewardship initiative
- Neutral Tonnage and inflation
 Program and general & administrative costs.

For reference and citation, the rate ordinance is *Metro Ordinance No. 10-1237*.

Food System -- Opportunities for Action



Moving tons from Disposal into the other categories and from Right to Left across columns increases environmental benefits