

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING METRO ) ORDINANCE NO. 11-1257A  
CODE CHAPTER 5.02 TO ESTABLISH SOLID )  
WASTE DISPOSAL CHARGES AND SYSTEM )  
FEES FOR FY 2011-12, TO MODIFY ) Introduced by Acting Chief  
HAZARDOUS WASTE CHARGES, AND TO ) Operating Officer Daniel B. Cooper  
ESTABLISH THE EFFECTIVE DATE FOR THE FY ) with the concurrence of Council  
2011-12 SOLID WASTE EXCISE TAX RATE. ) President Tom Hughes

WHEREAS, Metro Code Chapter 5.02 establishes charges for disposal of solid and hazardous waste at Metro South and Metro Central transfer stations; and,

WHEREAS, Metro Code Chapter 5.02 establishes fees assessed on solid waste generated within the District or delivered to solid waste facilities regulated by or contracting with Metro; and,

WHEREAS, Metro's costs for solid waste services and programs have changed; and,

WHEREAS, Most residential customers using Metro's hazardous waste services pay no direct fees for this service; and

WHEREAS, A modest charge to residential customers will signal that the hazardous waste service is not without cost and will not significantly impact usage of Metro's program by residential customers; and,

WHEREAS, A user charge will help defray Metro's costs for operating the hazardous waste program; and

WHEREAS, Oregon HB 3037 prohibits charging fees at the point of collection for sites collecting post-consumer architectural paint under the statewide paint stewardship system; now therefore,

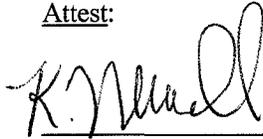
THE METRO COUNCIL ORDAINS AS FOLLOWS:

- Section 1. Metro Code Amendment. Metro Code section 5.02.025 is amended in the form attached hereto as Exhibit "A."
- Section 2. Metro Code Amendment. Metro Code section 5.02.045 is amended in the form attached hereto as Exhibit "B."
- Section 3. Metro Code Amendment. Metro Code section 5.02.047 is amended in the form attached hereto as Exhibit "C."
- Section 4. Metro Code Amendment. Metro Code section 5.02.027 is amended in the form attached hereto as Exhibit "D."
- Section 5. Metro Code Amendment. Metro Code section 5.02.028 is amended in the form attached hereto as Exhibit "E."
- Section 6. Effective Date for Solid and Hazardous Waste Fees. Sections 1 through 5, inclusive, of this ordinance shall become effective on August 1, 2011, or 90 days after adoption by Metro Council, whichever is later.

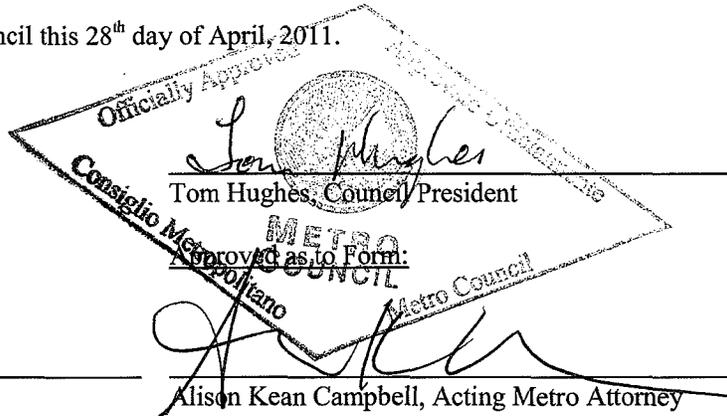
Section 7. Effective Date for Excise Tax. Pursuant to Metro Code section 7.01.020(e)(1), the solid waste excise tax rate authorized by Metro Code section 7.01.020(c) shall become effective on August 1, 2011, or 90 days after adoption of this ordinance by Metro Council, whichever is later.

ADOPTED by the Metro Council this 28<sup>th</sup> day of April, 2011.

Attest:



Kelsey Newell, Recording Secretary



Officially Approved  
Consiglio Metropolitan  
Approved as to Form:  
METRO COUNCIL  
Metro Council

Tom Hughes, Council President

Alison Kean Campbell, Acting Metro Attorney

**Exhibit "A" to Ordinance No. 11-1257A**

METRO CODE - TITLE V SOLID WASTE  
CHAPTER 5.02 DISPOSAL CHARGES AND USER FEES

5.02.025 Disposal Charges at Metro South & Metro Central Station

(a) The fee for disposal of solid waste at the Metro South Station and at the Metro Central Station shall consist of:

- (1) The following charges for each ton of solid waste delivered for disposal:
  - (A) A tonnage charge of ~~\$56.45~~58.35 per ton,
  - (B) The Regional System Fee as provided in Section 5.02.045,
  - (C) An enhancement fee of \$.50 per ton, and
  - (D) DEQ fees totaling \$1.24 per ton;
- (2) All applicable solid waste taxes as established in Metro Code Chapter 7.01, which excise taxes shall be stated separately; and
- (3) The following Transaction Charge for each Solid Waste Disposal Transaction:
  - (A) For each Solid Waste Disposal Transaction completed at staffed scales, the Transaction Charge shall be ~~\$11.00~~12.00.
  - (B) For each Solid Waste Disposal Transaction that is completed at the automated scales, the Transaction Charge shall be \$3.00.
  - (C) Notwithstanding the provisions of subsection (A), the Solid Waste Disposal Transaction Charge shall be \$3.00 in the event that a transaction that is otherwise capable of being completed at the automated scales must be completed at the staffed scales due to a physical site limitation, a limit or restriction of the computer operating system for the automated scales, or due to a malfunction of the automated scales.

(b) Notwithstanding subsection (a) of this section,

- (1) There shall be a minimum solid waste disposal charge at the Metro South Station and at the Metro Central Station for loads of solid waste weighing ~~400~~360 pounds or less of \$28, which shall consist of a minimum Tonnage Charge of ~~\$17.00~~16.00 plus a Transaction Charge of ~~\$11.00~~12.00 per Transaction.
- (2) The Chief Operating Officer may waive collection of the Regional System Fee on solid waste that is generated outside the District, and collected by a hauler that is regulated by a local government unit, and accepted at Metro South Station or Metro Central Station.

(c) Total fees assessed in cash at the Metro South Station and at the Metro Central Station shall be rounded to the nearest whole dollar amount, with any \$0.50 charge rounded down.

(d) The Director of Parks and Environmental Services may waive disposal fees created in this section for Non-commercial Customers of the Metro Central Station and of the Metro South Station under extraordinary, emergency conditions or circumstances.

**Exhibit "B" to Ordinance No. 11-1257A**

METRO CODE - TITLE V SOLID WASTE  
CHAPTER 5.02 DISPOSAL CHARGES AND USER FEES

5.02.045 Regional System Fees

(a) The Regional System Fee shall be \$~~16.72~~17.64 per ton of solid waste, prorated based on the actual weight of solid waste at issue rounded to the nearest one-hundredth of a ton.

(b) Any waste hauler or other person transporting solid waste generated, originating, or collected from inside the Metro region shall pay Regional System Fees to Metro for the disposal of such solid waste. Payment of applicable system fees to the operator of a Designated Facility shall satisfy the obligation to pay system fees, provided that, if such solid waste is transported to a Designated Facility outside of the Metro region, then such waste hauler or other person must have informed the operator of the Designated Facility that the solid waste was generated, originated or collected inside the Metro region. In any dispute regarding whether such waste hauler or other person informed such operator that the solid waste was generated, originated, or collected inside the Metro region, such waste hauler or other person shall have the burden of proving that such information was communicated.

(c) Designated Facility operators shall collect and pay to Metro the Regional System Fee for the disposal of solid waste generated, originating, collected, or disposed of within Metro boundaries, in accordance with Metro Code Section 5.01.150.

(d) When solid waste generated from within the Metro boundary is mixed in the same vehicle or container with solid waste generated from outside the Metro boundary, the load in its entirety shall be reported at the disposal site by the generator or hauler as having been generated within the Metro boundary, and the Regional System Fee shall be paid on the entire load unless the generator or hauler provides the disposal site operator with documentation regarding the total weight of the solid waste in the vehicle or container that was generated within the Metro boundary and the disposal site operator forwards such documentation to Metro, or unless Metro has agreed in writing to another method of reporting.

(e) System fees described in this Section 5.02.045 shall not apply to exemptions listed in Section 5.01.150(b) of this Code.

**Exhibit "C" to Ordinance No. 11-1257A**

METRO CODE - TITLE V SOLID WASTE  
CHAPTER 5.02 DISPOSAL CHARGES AND USER FEES

5.02.047 Regional System Fee Credits

Any person delivering Cleanup Material Contaminated by Hazardous Substances that is derived from an environmental cleanup of a nonrecurring event, and delivered to any Solid Waste System Facility authorized to accept such substances shall be allowed a credit in the amount of \$~~14.22~~15.14 against the Regional System Fee otherwise due under Section 5.02.045(a) of this Chapter.

**Exhibit "D" to Ordinance No. 11-1257A**

METRO CODE - TITLE V SOLID WASTE  
CHAPTER 5.02 DISPOSAL CHARGES AND USER FEES

5.02.027 Charges for Management of Household Hazardous Wastes

(a) There is hereby established a Household Hazardous Waste Management Charge that shall be collected on household hazardous waste accepted at Metro Hazardous Waste Facilities ~~and at household hazardous waste collection events~~. Such Household Hazardous Waste Management Charge shall be in lieu of all other base disposal charges, user fees, regional transfer charges, rehabilitation and enhancement fees, and certification non-compliance fees that may be required by this chapter; and excise taxes required by Chapter 7.01.

~~(b) There shall be no Household Hazardous Waste Management Charge for household hazardous waste that is accepted in containers of 10 gallons capacity or less.~~ The Household Hazardous Waste Management Charge shall be \$5.00 for the first 35 gallons of household hazardous waste that is accepted in a single transaction in containers of 10 gallons capacity or less, and \$5.00 for each additional 35 gallons (or portion thereof) of household hazardous waste that is delivered in the same transaction in containers of 10 gallons capacity or less. These fees shall not be charged for acceptance of post-consumer architectural paint under the Oregon paint stewardship system established by Oregon HB3037.

(c) The Household Hazardous Waste Management Charge for household hazardous waste that is accepted in a container of greater than 10 gallons capacity shall be as follows:

- (1) \$5.00 for each empty container only;
- (2) \$10.00 for each container that contains up to 25 gallons of household hazardous waste;
- (3) \$15.00 for each container that contains more than 25 gallons of household hazardous waste.

(d) Each of the above charges may be waived by the Director of Parks and Environmental Services ~~the Solid Waste & Recycling Department~~.

**Exhibit "E" to Ordinance No. 11-1257A**

METRO CODE - TITLE V SOLID WASTE  
CHAPTER 5.02 DISPOSAL CHARGES AND USER FEES

5.02.028 Charges for Conditionally Exempt Generator Waste

(a) The amount charged for acceptance of Conditionally Exempt Generator ("CEG") waste from non-household sources shall be the actual disposal costs of such waste calculated from the current Metro contractor price schedules, Metro and/or contractor labor costs, all applicable excise taxes, and the cost of material utilized for managing the waste.

(b) Notwithstanding section (a), there shall be no charge for acceptance of:

(i) Post-consumer architectural paint under the Oregon paint stewardship system established by Oregon HB3037.

(ii) Hazardous waste generated at any facility operated by Metro.

(c) The Director of Parks and Environmental Services may waive charges established in this section in specific instances upon a finding that a waiver of such charges is in the public interest.

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING METRO ) ORDINANCE NO. 11-1257  
CODE CHAPTER 5.02 TO ESTABLISH SOLID )  
WASTE DISPOSAL CHARGES AND SYSTEM ) Introduced by Acting Chief Operating Officer  
FEES FOR FY 2011-12, AND TO ESTABLISH ) Daniel B. Cooper with the concurrence of  
THE EFFECTIVE DATE FOR THE FY 2011-12 ) Council President Tom Hughes  
SOLID WASTE EXCISE TAX RATE. )

WHEREAS, Metro Code Chapter 5.02 establishes charges for disposal of solid waste at Metro South and Metro Central transfer stations; and,

WHEREAS, Metro Code Chapter 5.02 establishes fees assessed on solid waste generated within the District or delivered to solid waste facilities regulated by or contracting with Metro; and,

WHEREAS, Metro’s costs for solid waste services and programs have changed; now therefore,

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- Section 1. Metro Code Amendment. Metro Code section 5.02.025 is amended in the form attached hereto as Exhibit “A.”
- Section 2. Metro Code Amendment. Metro Code section 5.02.045 is amended in the form attached hereto as Exhibit “B.”
- Section 3. Metro Code Amendment. Metro Code section 5.02.047 is amended in the form attached hereto as Exhibit “C.”
- Section 4. Effective Date for Solid Waste Fees. Section 1, Section 2, and Section 3 of this ordinance shall become effective on August 1, 2011, or 90 days after adoption by Metro Council, whichever is later.
- Section 5. Effective Date for Excise Tax. Pursuant to Metro Code section 7.01.020(e)(1), the solid waste excise tax rate authorized by Metro Code section 7.01.020(c) shall become effective on August 1, 2011, or 90 days after adoption of this ordinance by Metro Council, whichever is later.

ADOPTED by the Metro Council this 28<sup>th</sup> day of April, 2011.

\_\_\_\_\_  
Tom Hughes, Council President

Attest:

Approved as to Form:

\_\_\_\_\_  
Kelsey Newell, Recording Secretary

\_\_\_\_\_  
Alison Kean Campbell, Acting Metro Attorney

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  - (C) An enhancement fee of \$.50 per ton, and
  - (D) DEQ fees totaling \$1.24 per ton;
- (2) All applicable solid waste taxes as established in Metro Code Chapter 7.01, which excise taxes shall be stated separately; and
- (3) The following Transaction Charge for each Solid Waste Disposal Transaction:
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(b) Notwithstanding subsection (a) of this section,

- (1) There shall be a minimum solid waste disposal charge at the Metro South Station and at the Metro Central Station for loads of solid waste weighing ~~400~~360 pounds or less of \$28, which shall consist of a minimum Tonnage Charge of ~~\$17.00~~16.00 plus a Transaction Charge of ~~\$11.00~~12.00 per Transaction.
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METRO CODE - TITLE V SOLID WASTE  
CHAPTER 5.02 DISPOSAL CHARGES AND USER FEES

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(b) Any waste hauler or other person transporting solid waste generated, originating, or collected from inside the Metro region shall pay Regional System Fees to Metro for the disposal of such solid waste. Payment of applicable system fees to the operator of a Designated Facility shall satisfy the obligation to pay system fees, provided that, if such solid waste is transported to a Designated Facility outside of the Metro region, then such waste hauler or other person must have informed the operator of the Designated Facility that the solid waste was generated, originated or collected inside the Metro region. In any dispute regarding whether such waste hauler or other person informed such operator that the solid waste was generated, originated, or collected inside the Metro region, such waste hauler or other person shall have the burden of proving that such information was communicated.

(c) Designated Facility operators shall collect and pay to Metro the Regional System Fee for the disposal of solid waste generated, originating, collected, or disposed of within Metro boundaries, in accordance with Metro Code Section 5.01.150.

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(e) System fees described in this Section 5.02.045 shall not apply to exemptions listed in Section 5.01.150(b) of this Code.

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METRO CODE - TITLE V SOLID WASTE  
CHAPTER 5.02 DISPOSAL CHARGES AND USER FEES

5.02.047 Regional System Fee Credits

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## STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 11-1257 FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.02 TO ESTABLISH SOLID WASTE DISPOSAL CHARGES AND SYSTEM FEES FOR FISCAL YEAR 2011-12, AND TO ESTABLISH THE EFFECTIVE DATE FOR THE FISCAL YEAR 2011-12 SOLID WASTE EXCISE TAX RATE.

Date: April 7, 2011

Prepared by: Douglas Anderson

Each year as part of the agency budget activity, the Metro Council considers changes to solid waste rates to keep them current with costs and tonnage. The specific rates under consideration are the Transaction Fee, Tonnage Charge, and Minimum Load Charge at Metro transfer stations; and the Regional System Fee, which is collected at all privately-owned landfills as well as at Metro's transfer stations. Changes require an ordinance of the council. This report provides an overview of this year's rate ordinance, No. 11-1257.

### BACKGROUND

**Process.** Under Metro code, the Chief Operating Officer must transmit his proposed rates to the council at the same time that he transmits his proposed budget. Subsequently, public hearings and council deliberations on the budget and the rates proceed on the same schedule. The council usually adopts the rates at the same time that it approves the budget for transmittal to the Tax Supervising and Conservation Commission. This allows time for the mandatory 90 day referral period between the adoption of an ordinance and the date it becomes effective. Administratively it is best – for both Metro and its stakeholders – to implement rates on the first day of the month. Because of calendar changes this year, the council would need to take action on the rate ordinance by April 28, one week before it is scheduled to approve the budget, if the rates are to take effect on this year's target date of August 1.

In 2009 the council split Metro's annual rate cycle into two phases: a policy phase and a technical phase. *This ordinance reflects the technical phase.* The policy phase is to provide an open look at the policy drivers for the rates, and includes extensive stakeholder input. This allows for efficient execution of the technical phase in which the implications of policies, costs and tonnage are converted into rates. The technical work is reviewed by an independent rate expert whose written report is transmitted directly to the council. Normally the policy review would be held in the Fall, but the council's schedule precluded this effort last year. Therefore, the proposed FY 2011-12 rates are based on standing policies. After the budget has been approved this Spring, staff will return to council with options for a policy review later in 2011.

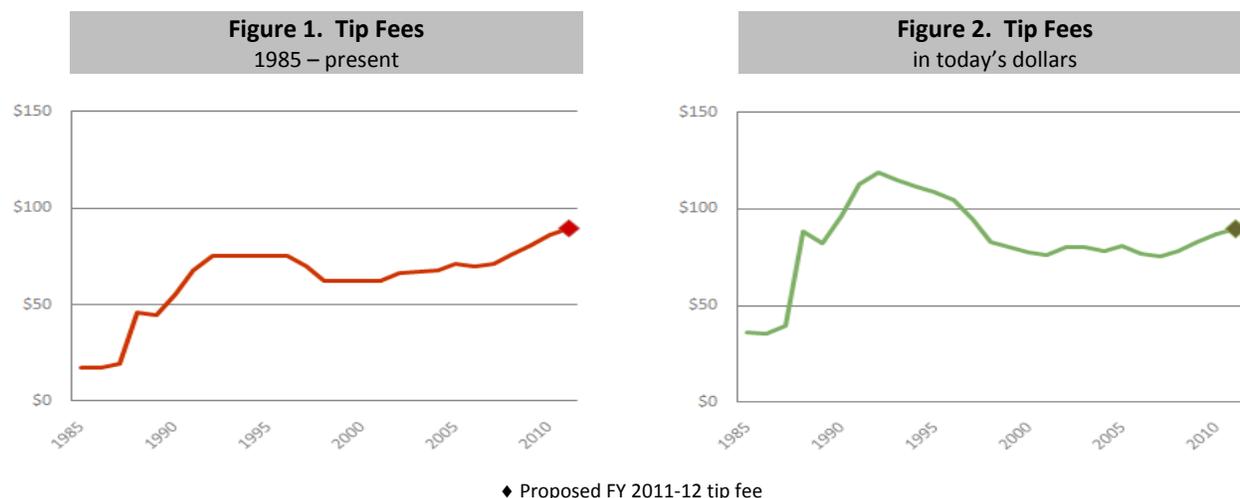
**Results.** Adoption of this ordinance would implement the following disposal charges at Metro transfer stations.

**Table 1. Proposed Solid Waste Disposal Charges at Metro Transfer Stations**  
Rates Effective August 1, 2011

| Rates                          | Current | Proposed       | Change      |
|--------------------------------|---------|----------------|-------------|
| Fees per transaction           |         |                |             |
| Users of staffed scales        | \$11.00 | <b>\$12.00</b> | \$1.00      |
| Users of automated scales      | 3.00    | <b>3.00</b>    | - 0 -       |
| Fee per ton (Tip Fee)          | \$85.85 | <b>\$89.53</b> | \$3.68      |
| Minimum Load Charge            | \$28    | <b>\$28</b>    | - 0 -       |
| <i>Minimum pounds per load</i> | 400     | 360            | <i>(40)</i> |

The increases reflect expected tonnage and changes in costs between this year and FY 2011-12.

By way of comparison, the proposed changes are less than the roughly \$5 increase approved in each of the last three years. Although the FY 2011-12 tip fee would be historically the highest in money terms (Figure 1), the \$75 rates of the early 1990s were even higher when denominated in today's dollars (Figure 2).



In addition to the transfer station rates shown in Table 1, the rate ordinance also amends the Regional System Fee – a surcharge on disposal that Metro levies at all privately owned landfills in addition to the Metro transfer stations. The system fee is proposed to rise from \$16.72 per ton to \$17.64, an increase of 92 cents. Because the system fee is included in the tip fee, this increase is part of the \$3.68 total change shown in Table 1. Further explanation is provided in the following section of the staff report.

## EXPLAINING THE RATES

**Metro Tip Fee.** The tip fee at Metro transfer stations is in fact a composite of several fees and taxes. The basic fee is the Tonnage Charge, which is the amount needed to recover the costs of Metro's disposal operations – transfer station management and operations, transport, and disposal. Four separate pass-through charges are added to this base: (1) Metro's Regional System Fee, (2) the Metro excise tax, (3) a number of disposal fees that Metro collects and remits to DEQ, and (4) a host fee that is used for rehabilitation and enhancement projects by the host community. The sum of these charges is the "tip fee." Table 2 provides detail.

**Table 2. Breakdown of the Tip Fee at Metro Transfer Stations**

Rates Effective August 1, 2011

| Component  | Current        | Proposed       | Change        |
|--|----------------|----------------|---------------|
| Tonnage Charge   | \$56.45        | <b>\$58.35</b> | \$1.90        |
| <i>Recovers the costs of Metro's disposal operations.</i>      |                |                |               |
| <b>Pass-Throughs</b>   |                |                |               |
| <i>Government fees and taxes levied at all disposal sites.</i> |                |                |               |
| Regional System Fee  | \$16.72        | <b>\$17.64</b> | \$0.92        |
| Excise tax   | 10.94          | 11.80          | 0.86          |
| DEQ fees   | 1.24           | 1.24           | – 0 –         |
| Host fee   | 0.50           | 0.50           | – 0 –         |
| <b>Metro Tip Fee</b>   | <b>\$85.85</b> | <b>\$89.53</b> | <b>\$3.68</b> |

This ordinance would amend the tonnage charge and the system fee in Table 2, by the indicated amounts. The other pass-throughs are set (or limited) by the state or in Metro code, and the tip fee is simply the sum of all the charges.

All disposal sites that serve the Metro region, public and private<sup>1</sup>, have price structures similar to the one shown in Table 2. Each disposal site will have a tonnage charge that is specific to its own operation. The same system fee, excise tax and DEQ rates are levied at all sites. The host fee is a local option, but other local fees and taxes may also apply. The “tip fee” at any given site is the sum of these charges.

### Effects on Ratepayers

The average effect of these increases on the residential customer’s curbside collection bill would be less than a penny per day (about 25 cents per month), all else equal. The average effect on a mid-sized office with a good source-separation program would be about \$1.30 per month – or roughly a 1.1% increase in total collection service cost. For food-heavy businesses such as sit-down restaurants and hotels the cost increase would be \$15 to \$18 per month, an increase of about 2.4% in total collection service cost.

Owners of private solid waste facilities will pay an additional \$1.78 per ton on waste delivered to landfills. The increase is comprised of \$0.92 on the Regional System Fee and, unrelated to this ordinance, an additional \$0.86 in Metro excise tax. This increase to the cost of disposal may provide an incentive to boost recovery efforts at privately-owned in-region facilities to avoid the higher cost of disposal.

### FY 2011-12 Calculations

The derivation of the rates is described briefly in this section. Readers seeking more detail are referred to the Rate Report issued under separate cover (and available on Metro’s web site after April 7). The discussion is separated into two subsections below – one for the universal rate (Regional System Fee) that is charged on all disposal, and another for the rates that are charged only at Metro’s transfer stations.

The dollar amount to be raised by each rate is called the “revenue requirement.” This is the sum of expected FY 2011-12 expenditures based on the budget, minus any program revenue that serves to offset costs.<sup>2</sup> From Tables 3 and 4 below, the total FY 2011-12 revenue requirement is \$49.6 million. Each rate is simply the revenue requirement divided by the appropriate units (tons or transactions).

**Regional System Fee.** The costs of regional solid waste programs and services are recovered from the Regional System Fee – a surcharge that Metro levies on all waste that is generated inside the district and ultimately disposed, regardless of the location of the disposal site. The revenue requirement for the Regional System Fee is based on the net cost of regional programs: hazardous waste collection, waste reduction, latex paint recovery, illegal dumpsite cleanup, landfill closure and monitoring, and private facility regulation. None of the direct costs of operating the transfer stations are paid from Regional System Fee revenue. The specific detail for the FY 2011-12 Regional System Fee is shown in Table 3.

**Table 3. Detail on the Regional System Fee  
Collected at All Public and Private Disposal Sites<sup>1</sup>**

|                     | Revenue Requirements |             | August 2011 – June 2012 |                  |              |
|---------------------|----------------------|-------------|-------------------------|------------------|--------------|
|                     | FY 11/12 Total       | July 2011*  | Requirement             | divided by: Tons | equals: Rate |
| Regional System Fee | \$19,135,860         | \$1,586,586 | \$17,548,705            | 994,885          | \$17.64/ton  |

\* One month of revenue at the current rate, based on the August 1 implementation date for the new rate.

<sup>1</sup> These are the eight landfills that serve the Metro area; but also (for legacy reasons) Forest Grove Transfer Station.

<sup>2</sup> For this reason revenue requirements are sometimes termed “net costs.”

**Transfer Station Charges.** Metro’s own customers face a two-part charge at the transfer stations: a flat fee per transaction, which covers the fixed costs of the scalehouses and a portion of station management, and a variable charge – the tip fee – based on the number of tons in the transaction. As shown in Table 2, the tonnage charge is the component of the tip fee that recovers the cost of station operations, transport, and disposal. The revenue requirements for each of these rates are based strictly on the net cost of providing the service. The detail for the FY 2011-12 transfer station rates is shown in Table 4.

**Table 4. Detail on Disposal Charges at Metro Transfer Stations**

|                      | Revenue Requirements |             | August 2011 – June 2012 |                   |              |
|----------------------|----------------------|-------------|-------------------------|-------------------|--------------|
|                      | FY 11/12 Total       | July 2011*  | Requirements            | divided by: Units | equals: Rate |
| Transaction fee      |                      |             |                         |                   |              |
| Staffed scales       | \$2,695,861          | \$239,845   | \$2,456,016             | 201,315 trans.    | \$12/tran.   |
| Automated            | 276,364              | 22,520      | 253,844                 | 77,659 trans.     | \$3/tran.    |
| Tonnage charge       | 27,478,344           | 2,330,519   | 25,147,826              | 430,957 tons      | \$58.35/ton  |
| Total, Disposal Ops. | \$30,450,569         | \$2,592,884 | \$27,857,686            | ---               | ---          |

\* One month of revenue at current rates, based on the August 1 implementation date for the new rates.

### Drivers of the FY 2011-12 Changes

**Tonnage.** Tonnage is not a major driver of solid waste fees in this cycle. The reason resides in the math set forth in the previous section: each fee is **net cost divided by tonnage** (or transactions). So, for example, the math dictates that fees would not change if tonnage and costs both increase by the same percentage. The same math dictates that fees rise when tonnage drops, even when costs remain the same.

Metro’s econometric models of waste generation point to a mild increase in tonnage next year, reflecting a slow recovery from the recession. However, after adjusting for upcoming new diversion, the budget assumption on tonnage is down slightly from FY 2010-11. This means that rates must rise to compensate. However, the decline is small enough that the tonnage effect is relatively minor.

**Costs.** There are no structural changes such as major new contracts affecting next year’s rates as has been the case for the last three years. Accordingly, the proposed changes are driven almost entirely by costs:

- **Fuel.** Under Metro’s waste transport arrangements, every 25 cent per gallon increase in the price of fuel bumps the tip fee by 47 cents per ton. The FY 2011-12 fuel price assumption is \$3.25 per gallon, up 75 cents from FY 2010-11<sup>3</sup>, so fuel accounts for \$1.42 of the increase in the tip fee. The \$3.25 figure is based on the assumption that fuel prices will spike in the spring and summer of 2011, but settle back at the higher \$3.25 plateau during FY 2011-12. If fuel prices turn out higher than the budget assumption, the solid waste operating contingency is positioned to cover fuel prices as high as \$5.50 per gallon.
- **Regional System Fee.** The proposed budgets for regional solid waste programs paid by the Regional System Fee are up 2.3 percent in aggregate from FY 2010-11. Because projected regional tonnage is down, the Regional System Fee must rise \$0.92 to compensate if the revenue requirement is to be met.
- **Metro excise tax.** The excise tax component of the tip fee will rise from \$10.94 per ton to \$11.80, accounting for \$0.86 of the increase in the tip fee. The excise tax rate is established automatically through a mechanism set forth in Metro code chapter 7.01 unrelated to solid waste costs or this ordinance.

<sup>3</sup> The budget assumption was \$2.50 per gallon. The year-to-date average is \$2.569, although the cost in February 2011 was \$2.97. Metro pays wholesale prices for diesel fuel, and is exempt from paying the Federal excise tax.

There are offsetting factors that dampen the rate of increase:

- **Low inflation.** With over half (\$28 million) of the solid waste operating budget controlled by four major operating contracts and their inflation clauses, even relatively modest inflation will have important effects on the budget and rates.<sup>4</sup> The index underlying the FY 2011-12 contract prices is up only 1.1 percent, translating into a \$0.51 increase in the tonnage charge. In a more normal inflationary environment of 3 to 4 percent, the impact would be about \$1.50.
- **The COO's cost reduction initiatives.** The COO's proposed budget reflects reductions and efficiencies in general and administrative ("G&A") costs. Overhead costs to the solid waste fund are down about \$242,600 from last year. Because G&A costs are allocated, these reductions affect all rate components. The net effect is 22 cents of relief on the tip fee compared with flat G&A costs.

A variety of other, smaller changes combine to round out the net increase to the tip fee. These factors are summarized in Table 5.

| <b>Factor</b>                          | <b>Effect</b> |
|--|---------------|
| Fuel price (transport to the landfill) | \$1.42        |
| Regional System Fee (program costs)    | 0.92          |
| Metro excise tax                       | 0.86          |
| Inflation in the major contracts*      | 0.51          |
| Miscellaneous                          | 0.19          |
| General & administrative costs         | (0.22)        |
| <b>Net increase</b>                    | <b>\$3.68</b> |

\* For transfer station operation, transport and disposal.

## INFORMATION/ANALYSIS

1. **Known Opposition.** There is no known opposition.
2. **Legal Antecedents.** Metro's solid waste rates are set forth in Metro Code Chapter 5.02. Any change in these rates requires an ordinance amending Chapter 5.02. Metro reviews solid waste rates annually, and has amended Chapter 5.02 when changes are warranted. The proposed FY 2011-12 rates comply with the restriction set forth in Chapter III, Section 15 of the Metro Charter limiting user charges to the amount needed to recover the costs of providing goods and services.

The excise tax rate is established automatically by a passive mechanism set forth in Metro Code sections 7.01.020 and 7.01.022 and does not require annual council action.

3. **Anticipated Effects:** If adopted, this ordinance would raise the tip fee and the staffed transaction fee, and reduce the size of load subject to the minimum charge at Metro transfer stations. The ordinance would also raise the Regional System Fee, which is levied on all disposal including waste delivered to Metro transfer stations, mass burners and privately-owned landfills, regardless of where these disposal sites are located. Ratepayer effects were addressed in a previous section of this report.
4. **Budget Impacts.** The rates established by this ordinance are designed to raise \$49.6 million in enterprise revenue from mixed waste as appropriated in the proposed FY 2011-12 budget.

## RECOMMENDATION

The Acting Chief Operating Officer recommends adoption of Ordinance No. 11-1257.

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<sup>4</sup> Under current contracts, every 1-point increase in the inflation rate affects the tip fee by 46 to 47 cents per ton.