

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING METRO CODE) ORDINANCE NO. 12-1277
CHAPTER 5.02 TO ESTABLISH SOLID WASTE DISPOSAL)
CHARGES, RECOVERABLE SOLID WASTE CHARGES,) Introduced by Chief Operating
AND SYSTEM FEES FOR FY 2012-13; TO MODIFY THE) Officer Martha Bennett with
STRUCTURE AND TO STANDARDIZE THE ADMIN-) the concurrence of Council
ISTRATION OF THE RECOVERABLE SOLID WASTE) President Tom Hughes
CHARGE; AND TO ESTABLISH THE EFFECTIVE DATE)
FOR THE FY 2012-13 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 charges for acceptance of recoverable solid waste at Metro South and Metro Central transfer stations; and,

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

WHEREAS, The Metro Code sections that govern the structure and administration of charges for recoverable solid waste and compostable organic waste are in need of revision and updating; and,

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

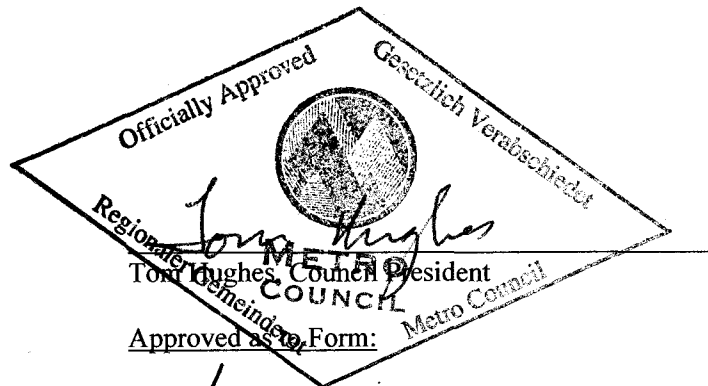
THE METRO COUNCIL ORDAINS AS FOLLOWS:

- 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 subsection 5.02.015(y) is amended in the form attached hereto as Exhibit “D” and all other subsections of Metro Code Section 5.02.015 shall remain unchanged.
- Section 5. Metro Code Amendment. Metro Code Section 5.02.029 is repealed and the language attached hereto as Exhibit “E” is adopted in its place.
- Section 6. Metro Code Amendment. Metro Code Section 5.02.037, “Disposal Charge for Compostable Organic Waste,” is repealed.
- Section 7. Metro Code Amendment. The language attached hereto as Exhibit “F” is added to and made a part of Metro Code Section 7.01.010 and all subsequent subsections of Metro Code Section 7.01.010 shall be renumbered accordingly.
- Section 8. Metro Code Amendment. The term “recoverable solid waste” shall replace the term “compostable organic waste” in Metro Code subsection 7.01.020(c) and in

Metro Code subsection 7.01.020(e)(1), and all other subsections of Metro Code Section 7.01.020 shall remain unchanged.

- Section 9. Effective Date for Metro Code Amendments. Sections 1 through 8, inclusive, of this ordinance shall become effective on August 1, 2012, or the first day of the first full month following 90 days after adoption by the Metro Council, whichever is later.
- Section 10. Effective Date for the Excise Tax Rate. Pursuant to Metro Code subsection 7.01.020(e)(1), the solid waste excise tax rate authorized by Metro Code subsection 7.01.020(c) shall become effective on August 1, 2012, or the first day of the first full month following 90 days after adoption by the Metro Council, whichever is later.
- Section 11. Effective Date for Recoverable Solid Waste Tonnage Charges. The schedule of Recoverable Solid Waste tonnage charges attached hereto as Exhibit "G" shall become effective at Metro Central Station and Metro South Station on August 1, 2012, or the first day of the first full month following 90 days after adoption by the Metro Council, whichever is later.

ADOPTED by the Metro Council this 26th day of April, 2012.



Attest:

K. Newell

Kelsey Newell, Recording Secretary

Alison Kean Campbell

Alison Kean Campbell, Metro Attorney

Exhibit "A" to Ordinance No. 12-1277

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 ~~\$58.35~~61.35 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 \$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 ~~360~~340 pounds or less of \$28, which shall consist of a minimum Tonnage Charge of \$16.00 plus a Transaction Charge of \$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. 12-1277

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 \$~~17.64~~18.56 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. 12-1277

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 \$~~15.1~~16.06 against the Regional System Fee otherwise due under Section 5.02.045(a) of this Chapter.

Exhibit "D" to Ordinance No. 12-1277

METRO CODE - TITLE V SOLID WASTE
CHAPTER 5.02. DISPOSAL CHARGES AND USER FEES
Section 5.02.015. Definitions

(y) "Recoverable Solid Waste" means source-separated or homogeneous material accepted~~wood waste, yard debris, or tires, whether Source Separated or commingled, and delivered~~ in a single transaction at Metro Central Station or at Metro South Station in a form that is usable by existing technologies, suitable for mechanical extraction of useful materials, notwithstanding the presence of incidental amounts or types of ~~other~~ contaminants, for reuse, recycling, controlled biological decomposition of organic material including composting and digestion, and the preparation of fuels that meet an engineering, industrial, or market specification; but excludes mass burning, incineration in refuse derived fuel facilities, and similar methods of extracting energy from mixed solid wastes.

Exhibit "E" to Ordinance No. 12-1277

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

5.02.029 Charges for Recoverable Solid Waste

(a) There are hereby established Recoverable Solid Waste Charges that shall be collected on different classes of Recoverable Solid Wastes accepted at Metro Central Station or Metro South Station.

(b) The amount of each Recoverable Solid Waste Charge shall consist of a Transaction Charge as set forth in Section 5.02.025 and a tonnage charge as adopted by the Metro Council or as specified in this section.

(c) For purposes of this section 5.02.029, "managing" and "management of" Recoverable Solid Waste shall mean any of the following activities: acceptance, onsite handling and logistics, quality assurance, mixing of wastes to meet an engineering or market specification, processing such as grinding and shredding that may alter the form but does not substantially alter the content of the waste, residuals management, reloading, transport and delivery to a recycling site, and similar activities directly related to the handling and disposition of Recoverable Solid Waste.

(d) For purposes of this section 5.02.029, a "class" of Recoverable Solid Waste is distinguished from other classes of wastes by a material difference in the cost of management or by physical characteristics that require different practices to manage the waste.

(e) The Chief Operating Officer is authorized to specify new classes of Recoverable Solid Wastes, to set tonnage charges for new classes of Recoverable Solid Wastes, and to change tonnage charges for existing classes of Recoverable Solid Wastes. The Chief Operating Officer shall set the tonnage charge for each class of Recoverable Solid Waste equal to the sum of:

(1) Metro's contractual costs, if any, paid by Metro to any contract operator of Metro Central or Metro South Station for managing said class of Recoverable Solid Waste, expressed on a per-ton basis;

(2) Metro's direct costs, if any, for personnel, materials, services and capital incurred directly by Metro for managing said class of Recoverable Solid Waste, expressed on a per-ton basis;

(3) An allocation of Metro's administrative, overhead, capital, and fixed contractual costs that is reasonably related to managing said class of Recoverable Solid Waste, expressed on a per-ton basis; and

(4) The enhancement fee set forth in Metro Code section 5.06.010(a).

Nothing in this subsection modifies or is intended to modify the Metro Council's authority to set Recoverable Solid Waste Charges by ordinance at any time.

(f) The Chief Operating Office shall provide 10 days notice to the Metro Council prior to implementing any proposed change to a Recoverable Solid Waste tonnage charge, and when proposing a tonnage charge for a new class of Recoverable Solid Waste. An accounting of the components of each Recoverable Solid Waste tonnage charge shall be kept on file with the Finance and Regulatory Services department or its successor at Metro.

(g) All Recoverable Solid Waste Charges shall be clearly posted by material class on Metro's website and at Metro Central and Metro South stations.

(h) Notwithstanding subsections (b) and (e) of this section:

(1) The Chief Operating Officer shall establish charges for Recoverable Solid Wastes that are typically accepted and managed on a unit or count basis rather than by scale weight. These charges shall be based on Metro's actual costs for managing said wastes.

(2) The Chief Operating Officer shall establish minimum charges for loads of Recoverable Solid Waste.

(3) The charge for accepting up to three Christmas trees in one transaction shall be the Transaction Charge as set forth in Metro Code Section 5.02.025.

(i) The provisions of this section shall not apply to any source-separated recyclable material that the Chief Operating Officer has designated as exempt from charges pursuant to Metro Code Section 5.02.026.

Exhibit "F" to Ordinance No. 12-1277

METRO CODE - TITLE VII FINANCE
CHAPTER 7.01 EXCISE TAXES
Section 7.01.010. Definitions

"Recoverable solid waste" shall have the meaning assigned thereto in Metro Code Section 5.02.015.

Exhibit "G" to Ordinance No. 12-1277

RECOVERABLE SOLID WASTE

 SCHEDULE OF TONNAGE CHARGES
 AT METRO CENTRAL STATION AND METRO SOUTH STATION

<u>Recoverable Waste Class</u>	<u>Either Station</u>
Wood waste/yard debris*	\$45.78
Mixed yard debris & food scraps	54.83

<u>Recoverable Waste Class</u>	<u>Metro Central Only</u>
Commercially generated organic waste	\$52.30
Asphaltic roofing	91.57
Clean drywall	67.80
Rubble	27.47

* The stated rate applies to wood waste and yard debris whether delivered in separate loads or commingled in a single load.

STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 12-1277 FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.02 TO ESTABLISH SOLID WASTE DISPOSAL CHARGES, RECOVERABLE SOLID WASTE CHARGES, AND SYSTEM FEES FOR FY 2012-13; TO MODIFY THE STRUCTURE AND TO STANDARDIZE THE ADMINISTRATION OF RECOVERABLE SOLID WASTE CHARGES; AND TO ESTABLISH THE EFFECTIVE DATE FOR THE FY 2012-13 SOLID WASTE EXCISE TAX RATE.

Date: April 19, 2012

Presented by: Douglas Anderson, FRS
Paul Ehinger, PES

Executive Summary

Each year, the Chief Operating Officer proposes new solid waste rates as part of the budget process. The changes are needed to keep current with costs and tonnage flows.

The council considers at least four rates each year:

1. **Transaction Fee**, a fixed fee for each load of waste at Metro transfer stations. It recovers the cost of operating the scalehouses and billing of solid waste accounts.
2. **Tonnage Charge**, the fee for each ton in the load. It recovers the cost of station operations, transport, disposal, and related costs.
3. **Minimum Load Charge** for loads below a scale weight threshold at Metro transfer stations.
4. **Regional System Fee**, a surcharge on all disposal at landfills, the burner, and Forest Grove and Metro transfer stations. It recovers the cost of solid waste programs such as waste reduction.

The *tip fee* is the sum of five components: the Tonnage Charge and Regional System Fee above, as well as the excise tax, rehabilitation and enhancement (“host”) fee, and a suite of DEQ fees. The council does not typically review the excise tax rate or the host fee each year. DEQ fees are set by the state.

Adoption of this year’s rate ordinance would implement the following charges for mixed solid waste at Metro transfer stations:

Table 1. Proposed Solid Waste Charges at Metro Transfer Stations			
Rates Effective August 1, 2012			
Rates	Current	Proposed	Change
Fees per transaction			
Users of staffed scales	\$12.00	\$12.00	– 0 –
Users of automated scales	3.00	3.00	– 0 –
Fee per ton (Tip Fee)	\$89.53	\$93.84	\$4.31
Minimum load charge			
<i>Minimum pounds per load</i>	\$28 360	\$28 340	– 0 – <i>(20)</i>

The tip fee has risen by an average of \$4.60 per year during the last four years, so this year’s increase is a bit under the average – although higher than last year’s increase of \$3.68. In addition, the staffed transaction fee has risen by \$3.50 during the same four years, so the fact that Metro is able to hold the line for FY 2012-13 means, for some ratepayers, that the total increase is less than in recent years.

The effect of these changes on the typical residential ratepayer using Metro stations is less than a penny per day. For ratepayers using private facilities, the increase is about 8 cents per month.

Recoverable Solid Waste. In addition to the rates for mixed solid waste, this year the Chief Operating Officer is proposing changes to the tip fees for “recoverable solid waste” accepted at Metro transfer stations. These changes are driven mainly by the need to begin recovering the full cost of managing recoverable solid waste.

Recoverable wastes are high-grade or homogeneous materials suitable for recycling as-delivered. Examples include wood, yard debris, and source-separated food waste. Metro’s tip fees for recoverable waste have been set below cost since their inception. The policy purpose was to create an incentive to deliver high-grade materials to the transfer stations where they would be recovered.

However, the rates have had limited success as incentives. But these rates are so low that private facilities can’t compete with them, which has discouraged private investment in recycling infrastructure – a matter of current concern in the case of regional food waste processing capacity. The proposed changes are also needed because Metro has seen major increases in the cost and amount of compostable waste it receives. If recoverable wastes do not begin to cover their own costs, these costs would have to be covered by significantly higher increases in the rates for mixed solid waste.

As a result, the Chief Operating Officer is proposing the new tip fees for recoverable waste shown in Table 2. The proposed rates are designed to recover Metro’s costs of managing recoverable wastes.

Table 2. Proposed Tip Fees for Recoverable Solid Waste			
Rates Effective August 1, 2012			
Recoverable Waste Type	Current	Proposed	Change
Yard debris/clean wood	\$48.83	\$45.78	(\$3.05)
Residential food waste	51.14	54.83	3.69
Commercial food waste	51.14	52.30	1.16

Tip fees for roofing, drywall and rubble are also proposed for the first time in FY 2012-13. These rates are described in the main staff report. The reduction in the yard debris/clean wood rate reflects a change in the quantity of yard debris delivered to Metro since the last time the rate was set.

Residential ratepayers in the City of Portland are most affected by tip fees for residential food waste. However, the city had assumed a higher rate than shown in Table 2 in its preliminary collection cost formula for FY 2012-13. So the proposed residential food waste rate – even with the increase – actually reduces some of the upward pressure on collection costs for residential service in Portland.

Readers interested in more detail are invited to read the balance of this staff report.

DETAILED ANALYSIS

This staff report is organized into four sections:

- I. The Annual Rate Process – a brief overview.
- II. Recoverable Solid Wastes – background, proposed changes, reasons for the change.
- III. Rates for Mixed Solid Waste – background, detail, and analysis.
- IV. Information/Analysis – a summary of impacts in standard staff report form.

SECTION I. THE ANNUAL RATE PROCESS

Under Metro code, the Chief Operating Officer must transmit her proposed solid waste rates to the council at the same time that she transmits her proposed budget. Afterward, the council holds public hearings and deliberates on the budget and the rates on the same schedule. The council usually adopts the rates about the same time that it approves the budget for transmittal to the Tax Supervising and Conservation Commission. This allows for the mandatory 90 day referral period between the adoption of an ordinance and the date it becomes effective. (Emergency clauses are not allowed on rate ordinances.) Administratively it is best – for Metro, local governments and ratepayers – to implement rates on the first day of the month. If the council adopts the rates on April 26 as scheduled, the rates can take effect on the target date of August 1. If adoption slips into May, the rates would take effect on September 1, with some loss of revenue (or additional rate adjustments) resulting from the additional month at the old rates.

SECTION II. RECOVERABLE SOLID WASTE RATES AND CODE AMENDMENT

The Chief Operating Officer is proposing changes to the rates for “recoverable solid waste” at the transfer stations, and to the Metro code that governs these rates. Background and the reasons for the changes are summarized in this section.

Recoverable solid waste is homogeneous or high-graded material that can be used by recycling markets as-delivered. The recoverable wastes currently recognized at Metro transfer stations (by code or contract) are wood, yard debris, source-separated food waste, roofing, clean drywall, rubble, and tires.

Historically, Metro has set its recoverable waste rates below the cost of providing the service. The policy purpose was to create a price incentive to deliver high-grade wastes to the transfer stations where they can be recovered, rather than disposed in a landfill. Recoverable waste tip fees currently exclude general, administrative and capital costs, and most direct outlays.¹ In addition, food waste is exempt from the transaction fee, meaning it pays nothing toward the cost of the scalehouses. The costs foregone on recoverable wastes are borne by the tip and transaction fees on mixed solid waste.

Proposed Rates. The COO’s proposed recoverable waste rates (Table 3) include an allocation of administrative, fixed, and capital costs, as well as the 50 cent-per-ton Rehabilitation and Enhancement (“Host”) Fee. The latter follows the example set by the council when it included a host fee among its franchise requirements for the Columbia Biogas facility. The COO also proposes to eliminate the exemption from the transaction fee so food waste generators will pay their fair share of scalehouse costs.

Table 3. Proposed Tip Fees for Recoverable Solid Waste
Rates Effective August 1, 2012

Recoverable Waste Type	Current	Proposed	Change
Yard debris/clean wood	\$48.83	\$45.78	(\$3.05)
Residential food waste	51.14	54.83	3.69
Commercial food waste	51.14	52.30	1.16
Roofing*	89.53*	91.57	2.04 *
Clean drywall*	89.53*	67.80	(21.73)*
Rubble*	89.53*	27.47	(62.06)*

** These wastes are not currently distinguished from mixed solid waste, so would be charged the mixed waste tip fee of \$89.53. However, all three rates are below the proposed FY 2012-13 mixed waste tip fee of \$93.84.*

¹ The rates also exclude the Metro excise tax and (with one exception) the Regional System Fee. These exclusions are consistent with Metro’s policy to support recycling and recovery by levying the system fee and excise on disposal only. The exception is the yard debris rate, which currently includes about 20 percent of the Regional System Fee.

The reasons for these changes are both policy-driven and practical:

- As a matter of policy, Metro's below-cost rates have shown limited success as incentives, diverting only about 20,000 tons per year over their 20-year history. But these rates are so low that private facilities can't compete with them, which has discouraged private sector investment in recycling infrastructure – a matter of current concern in the case of regional food waste processing capacity.
- As a matter of practicality, the new residential organics program at the City of Portland has increased Metro's share of recoverable waste six-fold. If recoverable wastes do not cover more of their costs, the FY 2012-12 tip and transaction fees for mixed solid waste would have to increase by significantly more than the rates proposed by the COO and shown in Table 1.

Roofing, drywall and rubble are specified as recoverable wastes in Metro's operating contract for Metro Central Station. Tip fees for these materials are being established for the first time for FY 2012-13. The reduction in the yard debris/clean wood rate reflects a change in the quantity of yard debris delivered to Metro since the last time the rate was set.

Residential generators in the City of Portland are the ratepayers most affected by the change in the residential food waste rate. However, the city had assumed a \$58 tip fee in its preliminary collection rates for FY 2012-13. The fact that Metro's rate comes in below the city's number reduces some of the upward pressure on collection costs for residential service in Portland.

Code Amendments. This ordinance also amends Metro Code sections 5.02.027 and 5.02.039 governing recoverable solid waste rates. The main purpose of the amendments is to establish that recoverable solid waste charges will reflect the full cost of service in the future. Specifically, the amendments (1) repeal the exemption on the transaction fee, (2) revise the formula for the recoverable solid waste tip fee to include all relevant costs, (3) update definitions and terminology to reflect current policy and practices, and (4) clarify the wording of other subsections that have been prone to misinterpretation in the past.

SECTION III. THE RATES FOR MIXED SOLID WASTE

Metro's own customers face a two-part charge at the transfer stations: (1) a flat fee per transaction, which covers the fixed costs of the scalehouses, billing costs, and a portion of station management; and (2) a variable charge – the tip fee – based on the number of tons in the transaction.

The tip fee is actually the sum 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 activities – transfer station management and operations, transport, and disposal.

Four separate charges are added to the basic fee:

- **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 system fee pays for regional solid waste programs and services – hazardous waste collection, waste reduction, latex paint recovery, illegal dumpsite cleanup, private facility regulation, and landfill closure and monitoring. None of the direct costs of operating the transfer stations are paid from Regional System Fee revenue.
- **Metro Excise Tax.** The solid waste excise tax is Metro's main source of discretionary revenue for general fund expenditures. No excise tax money is used for solid waste programs and services.
- **DEQ fees.** A number of disposal fees totaling \$1.24 per ton that Metro collects and remits to DEQ.

- **Host fee**, currently 50 cents per ton that is used for rehabilitation and enhancement projects by the community in which the transfer stations are located.

The sum of these charges is the “tip fee.” Table 4 provides detail.

Table 4. Breakdown of the Proposed Tip Fee at Metro Transfer Stations			
Rates Effective August 1, 2012			
<u>Component</u>	<u>Current</u>	<u>Proposed</u>	<u>Change</u>
Tonnage Charge <i>Recovers the costs of Metro’s disposal operations.</i>	\$58.35	\$61.35	\$3.00
Pass-Throughs <i>Government fees and taxes levied at disposal sites including Metro transfer stations.</i>			
Regional System Fee	\$17.64	\$18.56	\$0.92
Excise tax	11.80	12.19	0.39
DEQ fees	1.24	1.24	– 0 –
Host fee	0.50	0.50	– 0 –
Metro Tip Fee	\$89.53	\$93.84	\$4.31

This ordinance would amend the tonnage charge and the system fee by the indicated amounts. The other charges are set (or limited) by the state or in Metro code.

Readers wishing to review the derivation of these rates are referred to *Rate Report: A Methodological Statement*, issued under separate cover (and available on Metro’s website by April 19).

All disposal sites that serve the Metro region² have price structures similar to the one shown in Table 4. 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

Whenever Metro changes its solid waste rates, most ratepayers do not feel those effects directly, but through the collection rates set by local governments. Put another way, Metro’s fees are but one of many “wholesale” prices that make up the “retail” collection rates billed to the customer. (Other factors include drivers’ salaries, the customer’s choice of service level, and other factors considered in local government rate making for collection services.) Customers who make use of the Metro stations (“self haulers”) see the changes directly, but self-haulers account for a small fraction of the total waste disposed in the region.

The effect of Metro’s changes on ratepayers is further determined by their hauler’s choice of disposal site. The reason is simple: a hauler using a private transfer station pays that facility’s own tonnage charge. But the only *Metro* charges are the system fee and excise tax. The \$1.31 increase in these two charges (\$0.92 plus \$0.39, Table 4) translates to about 8 cents per month for a typical residential ratepayer. The private transfer station will very likely have other costs that increase the impact on the ratepayer – such as profit, payrolls, and operational choices. But Metro does not control these other costs. The tip fees at private transfer stations may change by more or less than at Metro, but the only portion that is a direct result of Metro’s rate actions are the changes to the system fee and excise tax.³

² These are the eight landfills, one burner, and one private regional transfer station that serve the Metro area.

³ Private facility owners will argue that Metro *affects* some of their costs. For example, a tonnage cap reduces the amount of tonnage over which fixed costs can be spread. Or, Metro’s material recovery standards might require processing costs above the amount they would otherwise incur. But these are impacts of regulatory requirements, separate from Metro’s actions on the system fee and excise tax.

Ratepayers whose haulers use the Metro stations will pay Metro’s tonnage charge, plus the system fee and excise tax – a total of \$4.31 per ton this year (Tables 1 and 4). The increase in Metro’s tip fee translates to about 27 cents per month for the typical residential ratepayer.

Table 5 displays the effect of *Metro’s rate changes only*. The effects are shown for several types of ratepayers. The table also shows the effects on these ratepayers when their haulers use privately-owned facilities where Metro’s rate actions affect *only* the system fee and excise tax.

Table 5. Effect of Metro’s Rate Changes

Generator Type	Ratepayers whose Hauler Uses			
	Metro Transfer Stations		Privately-Owned Stations*	
	Cost Change per Month	% Change in Total Collection Bill	Cost Change per Month	% Change in Total Collection Bill
Residential	27¢	~ 1%	8¢	0.3%
Mid-sized office	\$1.60	1.2%	50¢	0.4%
Food (low-mid size)	\$18.00	2.6%	\$5.50	0.8%
Food (mid-sized)	\$21.60	2.9%	\$6.60	0.9%

**The figures for privately-owned stations show the effect of Regional System Fee and excise tax changes only, as these are the only Metro components of private tip fees. Privately-owned transfer stations will have other costs that Metro does not control (e.g., salaries, profit, operational decisions) which will be included in the private tip fees, and therefore in ratepayers’ bills.*

All calculations in this table are Metro’s estimates for representative residential, office, and two sizes of food-rich generators disposing of 0.75, 4.5, 50, and 60 tons per year, respectively; and collection arrangements in which disposal comprises 22½%, 25%, 55%, and 60% of their total collection cost, respectively.

Drivers of the FY 2012-13 Changes

Tonnage. Tonnage is a mild driver of solid waste fees in this cycle. While Metro’s econometric models point to a small increase over the *actual* tonnage received this year, the actual tonnage is trending more than 5 percent below the tonnage on which the current rates were based. The tonnage assumption for FY 2012-13 is down 20,000 tons at Metro stations (4.3 percent) and 8,800 tons region wide (0.8 percent) from the FY 2011-12 rate assumptions. Although this means that rates must rise to compensate⁴, the tonnage drop at the regional level is small enough that the effect on the Regional System Fee is quite minor.

Costs. The proposed changes are driven mainly by costs:

- **Inflation.** With 58 percent of the solid waste revenue requirements determined by the four major operating contracts and their inflation clauses, even relatively modest inflation will have important effects on costs. During the last two years, the inflation rate affecting the contracts averaged only 0.4 percent per year. This year, the inflation index was up 2.8%, translating into a \$1.30 increase in the tonnage charge.
- **Reduction of underspend allowance.** The proposed FY 2012-13 rates are designed to recover a larger proportion of next year’s budget than in recent years. This change in practice accounts for \$0.78 of the increase in the Regional System Fee. *Explanation.* In conventional metropolitan utility rate making, the dollars to be raised by rates (“revenue requirement”) is typically equal to the net cash flow needed for the budget. However, in recent years, Metro’s solid waste rates have been set to *expected expenditures* rather than the budget. The reason? Actual expenditures by some centers and services have historically been materially less than their adopted budgets. Therefore, rates would have been higher – and unplanned over collection greater – if the rates had been set to recover the budget. The difference between budget costs and the revenue requirement is termed an “underspend allowance.” This year, the underspend allowances were reduced, consistent with this year’s tighter budgeting practices. However, even though the FY 2012-13 budget requests from some solid waste

⁴ This is because each rate is *net cost* divided by *tonnage* (or transactions). So the math dictates that rates rise when tonnage drops, even when costs remain the same.

centers and services are down from their adopted FY 2011-12 budgets, the actual revenue requirement is up from the underspend-adjusted requirement of previous years.⁵

- **Transport cost.** Under last year’s amendment to the trucking contract, Metro receives a rebate if tonnage to Columbia Ridge Landfill exceeds 500,000 tons during the year, and pays a bonus to the contractor if tonnage falls below 475,000 tons. Because staff expects to ship about 409,000 tons next year, Metro will pay a bonus of \$263,000, which accounts for \$0.64 of the tip fee increase.
- **Fuel.** Under Metro’s waste transport arrangements, every 25 cent per gallon increase in the price of fuel bumps the tip fee by 50 cents per ton. The FY 2012-13 fuel price assumption is \$3.50 per gallon, up 25 cents from FY 2011-12⁶, so fuel accounts for \$0.50 of the increase in the tip fee. 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.
- **General & Administrative.** Overall, interfund service transfers would be down from FY 2011-12 but for a new \$332,500 charge for the Metro website (“Web Conversion Project”). As a result, transfers are up by a net \$238,000 from FY 2011-12, translating to a \$0.24 increase in the Regional System Fee. (These figures exclude a \$1.376 million transfer to the General Fund for centralized education functions. This cost remains allocated directly to Resource Conservation & Recycling where the education functions were formerly budgeted directly.)
- **Metro excise tax.** The excise tax component of the tip fee will rise from \$11.80 per ton to \$12.19, accounting for \$0.39 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.
- **Mitigating effects.** As explained earlier in this staff report, the COO proposes to begin recovering a portion of fixed costs from recoverable solid wastes, and to begin charging transaction fees on compostable waste. Without these measures, the Tonnage Charge component of the tip fee would be 56 cents higher (\$3.56 vs. the proposed \$3.00), the staffed-scale Transaction Fee would be \$1.50 to \$2.00 higher (\$13.50 to \$14.00 vs. the proposed \$12), and the automated-scale Transaction Fee would be \$1 higher (\$4 vs. the proposed \$3).

Tonnage effects and a variety of other, smaller cost changes combine to round out the net increase to the tip fee. These factors are summarized in Table 6.

Table 6. Factors Contributing to the Tip Fee Increase	
Factor	Effect
Inflation in the major contracts*	\$1.30
Reduction of the underspend allowance	0.78
Effect of the transport contract amendment	0.64
Fuel price (transport to the landfill)	0.50
General & administrative costs (mainly website)	0.24
Metro excise tax	0.39
Tonnage reduction and misc. cost changes	0.46
Net increase	\$4.31

* For transfer station operation, transport and disposal.

⁵ Underspend allowances have ranged from zero to 15 percent, depending on the program. Last year the allowances totaled \$1.24 million – meaning the FY 2011-12 rates were designed to recover \$1.24 million less than net budget expenditures. This year a 5 percent allowance is set against only one center, amounting to \$369,000.

⁶ The FY 2011-12 budget assumption was \$3.25 per gallon. The year-to-date average is \$3.23. Metro pays wholesale prices for diesel fuel, and is exempt from paying the Federal excise tax (the latter saving about 24½ cents per gallon).

SECTION IV. INFORMATION/ANALYSIS

- 1. Known Opposition.** There is no known opposition. Rather, the solid waste stakeholders contacted by staff are supportive of Metro's move away from subsidized recoverable solid waste rates, and agree that the rates should reflect the cost of service as a matter of policy.

However, changes to Metro's solid waste rates trigger reviews of collection rates in most local governments. In recent years, and last year in particular, questions over Metro's excise tax arose at some of these review hearings, and with no one present to represent the facts, the discussions often took uncontrolled turns. The rate hearing before the City of Tualatin, as reported in the Portland Tribune, is illustrative: www.portlandtribune.com/news/story.php?story_id=130516081419936400. If this ordinance is approved, Metro should use the next three months to work actively with local jurisdictions to ensure they understand the reasons and effects of Metro's rates on the solid waste system, and on their local collection costs in particular. This effort is especially useful for local jurisdictions that have no solid waste experts on staff to advise elected officials and other decision makers.

- 2. Legal Antecedents.** Metro's solid waste rates are set forth in Metro Code Chapter 5.02. Any change in these rates, or the provision governing those 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 2012-13 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. Metro Code subsection 7.01.020(e)(1) requires council action to set an effective date for the tax rate if different from September 1.

- 3. Anticipated Effects:** If adopted, this ordinance would raise the tip 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.

If adopted, this ordinance would also establish tip fees for recoverable solid waste that recover the cost of service, after several years of subsidized rates with a mixed record of policy successes. This change will reduce upward cost pressure on Metro's rates for mixed solid waste, and should improve the economic environment for private investment in recycling infrastructure including organics processing capacity.

- 4. Budget Impacts.** The rates established by this ordinance are designed to raise \$50.8 million in enterprise revenue from solid waste as required by the proposed FY 2012-13 budget. The expected FY 2012-13 revenue from these rates is reflected in the proposed budget.

RECOMMENDATION

The Chief Operating Officer recommends adoption of Ordinance No. 12-1277.