

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING METRO CODE) ORDINANCE NO. 13-1302
CHAPTER 5.02 TO ESTABLISH SOLID WASTE)
DISPOSAL CHARGES AND RECOVERABLE SOLID) Introduced by Chief Operating Officer
WASTE CHARGES FOR FY 2013-14.) Martha Bennett with the concurrence of
) Council President Tom Hughes

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



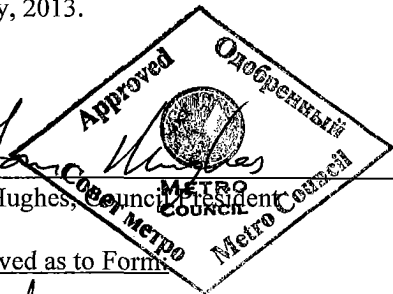
WHEREAS, Metro Code Chapter 5.02 establishes charges for acceptance of recoverable solid waste at Metro South and Metro Central transfer stations; and,

WHEREAS, Metro'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. Recoverable Solid Waste Tonnage Charges. The schedule of Recoverable Solid Waste tonnage charges attached hereto as Exhibit "B" shall be implemented at Metro Central Station and Metro South Station on the effective date of this ordinance.
- Section 3. Effective Date. This ordinance shall become effective on September 1, 2013, 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 2nd day of May, 2013.


Tom Hughes, Council President

Approved as to Form


Attest:


Kelsey Newell, Recording Secretary



Alison Kean Campbell, Metro Attorney

Exhibit "A" to Ordinance No. 13-1302

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 ~~\$61.35~~61.74 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 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. 13-1302

RECOVERABLE SOLID WASTE
SCHEDULE OF TONNAGE CHARGES
AT METRO CENTRAL STATION AND METRO SOUTH STATION

<u>Recoverable Waste Class</u>	<u>Per ton</u>
Wood waste/yard debris*	\$53.02
Residentially generated organic waste	56.67
Commercially generated organic waste (Metro Central only)	60.88

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

STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 13-1302 FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.02 TO ESTABLISH SOLID WASTE DISPOSAL CHARGES AND RECOVERABLE SOLID WASTE CHARGES FOR FY 2013-14.

Date: April 25, 2013

Presented by: Douglas Anderson, FRS (Ext. 1788)

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.

Main points of this legislation.

- Metro's tip fee for garbage is proposed to be \$94.33 in FY 2013-14. This is up 49 cents ($\frac{1}{2}$ percent) from the current rate. It means less than 3 cents per month to the residential ratepayer, on average. For most businesses, the difference on their garbage bills will be less than five dollars per year.
- Tip fee increases are proposed for all three of the organic waste streams accepted at Metro regional transfer stations – clean wood and yard debris, residential organics, and commercial organics. These increases stem from two primary factors: the removal of subsidies, as directed by council in Ordinance No. 12-1277; and, in the case of commercial organics, a significant increase in Metro's per-ton contract cost beginning in January 2014.
- Even with these changes, the organics rates remain \$33 to \$41 per ton below the price of disposal, and remain a powerful economic incentive for recovery.

Adoption of Ordinance No. 13-1302 would authorize the following charges at Metro regional transfer stations, effective September 1, 2013.

Table 1. Proposed Solid Waste Charges at Metro Regional Transfer Stations
Rates Effective September 1, 2013

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 –
Fees per ton (Tip Fees)			
Mixed solid waste ("refuse")	\$93.84	\$94.33	\$0.49
Clean wood/yard debris	\$45.78	\$53.02	\$7.24
Residential organics	54.83	56.67	1.84
Commercial organics	52.30	60.88	8.58

Adoption of this ordinance would also leave the following rates unchanged from current levels:

- Regional System Fee. This is a charge on all disposal, whether delivered to Metro stations or not, and funds regional programs and services. It would remain unchanged at \$18.56 per ton. (More information on the Regional System Fee is provided on the next page.)
- Minimum load charge. This is the main rate paid by household self-haulers at the Metro stations. It would remain unchanged at \$28 for loads of 340 pounds and under.

Background Part 1. Overview of Metro’s Solid Waste Rates

Metro maintains two classes of solid waste rates. One class, the Regional System Fee, is charged on all disposal. The second class is a suite of charges for services at Metro regional transfer stations only.

1. **Regional System Fee** is a universal charge on the disposal of garbage. It is levied at all landfills, the Marion County Burner, Forest Grove Transfer Station, and the Metro stations. There are two levels of system fee: one for mixed solid waste, and a reduced rate for environmental cleanup materials. The current (and proposed) rates are \$18.56 and \$2.50 per ton, respectively. System fees raise about \$20 million per year and pay for Metro’s regional solid waste programs and services: household hazardous waste, latex paint recovery, St. Johns Landfill management, facility regulation, illegal dumpsite cleanup, and resource conservation and recycling.
2. **Charges for services at the Metro stations** cover the costs of Metro’s transfer station operations, transport, processing and disposal. Each customer pays a two-part fee: a fixed charge for the transaction costs, and a variable charge (“tip fee”) for each ton in the load.
 - **“Transaction Charges”** are the fixed fees for each load of waste accepted. There are two levels of transaction fee: one for users of the staffed scales (mainly self-haulers), and another for users of the automated scales (mainly commercial haulers). Together they raise about \$2.8 million dollars per year and pay for the cost of operating the scalehouses and related functions. The current and proposed transaction fees are shown in Table 1 of this staff report.
 - **“Tip Fees”** are different for each waste stream – garbage, residential organics, commercial organics, and wood/yard debris – and reflect the costs that are specific to each stream. The current and proposed rates are shown in Table 1.

Every tip fee is made up of a **Tonnage Charge** and various pass-throughs (Table 2). The tonnage charge pays for the costs of doing the work. In this region, the Regional System Fee, Metro excise tax, and DEQ fees are charged on all disposal. Together, Metro’s tonnage charges raise about \$31 million per year, and pay for the costs of station operations, recovery, transport, processing, disposal, capital, and management.

Of the add-on components, only the excise tax is set to rise, by 10 cents, from \$12.19 to \$12.29. This 10 cents is part of the 49 cent increase to the mixed waste rate in Table 1; the balance is a 39 cent increase in the tonnage charge, from \$61.35 to the proposed \$61.74.

Table 2. Components of Proposed Metro Tip Fees by Waste Stream
Rates Effective September 1, 2013

Rate Component	Mixed Solid Waste	Organic Waste		
		Clean Wood or Yard Debris	Residential Organics	Commercial Organics
Tonnage Charge <i>Covers costs of transfer, transport, recovery, disposal.</i>	\$61.74	\$52.52	\$56.17	\$60.38
Pass-Throughs <i>Government fees and taxes levied at disposal sites.</i>				
Regional System Fee	\$18.56	*_-	*_-	*_-
Metro excise tax	12.29	*_-	*_-	*_-
DEQ fees	1.24	*_-	*_-	*_-
Enhancement Fee	0.50	0.50	0.50	0.50
Total = Tip Fee	\$94.33	\$53.02	\$56.67	\$60.88

* It is the policy of Metro and DEQ to support material recovery and recycling by levying solid waste surcharges and taxes on the waste that is ultimately disposed. For this reason, the Regional System Fee, Metro excise tax, and DEQ fees are not included in the tip fees for organic wastes.

Background Part 2. Understanding the Proposed FY 2013-14 Rates

There are five main reasons for the changes – and in some cases, the lack of change – in the proposed FY 2013-14 rates.

1. **Tonnage.** After five years of decline, tonnage is beginning to stabilize at Metro stations. Staff expects this trend to hold through FY 2013-14 – although staff does not expect any significant *increases* at Metro stations.
2. **Foregoing a deposit into reserves.** Each year, Metro collects about \$700,000 from rates, and deposits the money into a reserve account for the renewal and replacement of capital. The size of the deposit is determined from periodic reviews by an independent engineer. Expenditures from the reserve are governed by the adopted capital budget.

The demand for renewal and replacement projects is down because the reduced tonnage of recent years has meant less wear-and-tear on capital. As a result, Metro's Renewal and Replacement Reserve is of sufficient size that no deposit will be required in FY 2013-14. Foregoing the deposit means a reduction of about \$1.35 on the mixed waste tonnage charge, 25 cents on the Regional System Fee, and varying amounts on the organics rates that would otherwise have been necessary.

3. **Setting organics charges at the cost of service.** For the first time, the proposed FY 2013-14 organics rates are set to a level that covers their costs. This is not only a best practice in itself, but it also reduces the size of increase in the mixed waste tip fee – mainly by providing a larger tonnage base over which to spread fixed contract and capital costs.

Metro Code has long required a subsidy for organics rates. The stated policy was to keep organics prices low, to encourage participation in the program. With the advent of the Portland residential organics initiative last year, that subsidy was set to balloon to almost \$2 million annually, which would not be financially sustainable. Partly in reaction, the council amended Metro Code (Ordinance No. 12-1277) to require that organics rates begin to cover their operating costs. However, consistent with Metro's long-standing policy toward all recovered materials, the council continued to exempt organics from the Regional System Fee and excise tax. This exemption means a price difference of \$33 to \$41 between the proposed organics rates and the garbage rate in FY 2013-14, as an incentive for participation in the program.

The proposed increases to organics rates is one-time. After next year, changes will be driven by underlying costs and tonnage. However, the larger tonnage base for fixed costs will remove upward pressure on the mixed waste rate on an ongoing basis.

4. **Use of uncommitted fund balance.** There are six reserve accounts within the Solid Waste Fund, designated by ordinance or financial policy. All six are projected to remain fully funded through FY 2013-14. In addition, there are more than \$800,000 of uncommitted funds above the reserve targets. It is standard practice in municipal utility rate setting to use excess fund balances to offset revenue requirements in future years. Through this mechanism, the money is "returned" to ratepayers.

The proposed rates reflect the use of this uncommitted fund balance. The dollars are proposed to be applied as follows: (1) \$531,000 to cover a portion of the St. Johns Landfill operating budget that is normally funded by rates. Without this move, the Regional System Fee would have to increase by 52 cents (all else equal), rather than the no-change that is proposed. (2) \$204,000 is proposed for transfer station costs. This provides another 52 cents in rate relief on the mixed waste tonnage charge. (3) The remaining funds are proposed to cover the

revenue gap stemming from the two month delay between the start of the fiscal year and the effective date of the rates. This affects all rates; it is sufficient to keep the transaction fees flat, and reduces the amount of increase in the organics rates that would have otherwise been necessary.

5. **The excise tax.** The tax rate is set automatically by a formula in the Code each year, and is never a formal part of the rate ordinance. However, it is related to the rate actions because it is part of the tip fee (Table 2). However, it will be up only a dime next year, from the current \$12.19 to \$12.29.

As stated under “Tip Fee” on page 2 of this staff report, that dime is part of the 49 cent increase in the mixed waste tip fee shown in Table 1. The other 39 cents stems from an increase in the mixed waste tonnage charge, from \$61.35 to the proposed \$61.74.

Information/Analysis

1. **Known Opposition.** There is no known opposition. The majority of ratepayers will enjoy the smallest increase in Metro’s disposal price in seven years. Solid waste regulators and rate practitioners have frequently encouraged Metro to move toward cost-of-service organics rates. It is possible that some large organics generators will dislike the elimination of the organics subsidy – but the organics charges still remain over 35 percent below the rate for garbage.
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 2013-14 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 council action to take effect.

3. **Anticipated Effects:** If adopted, this ordinance would raise the tip fee for solid waste at Metro transfer stations by 49 cents per ton. It would also increase the tip fees for organic wastes by the amounts set forth in Table 1.
4. **Budget Impacts.** The rates established by this ordinance are designed to raise \$52 million in enterprise revenue during FY 2013-14. This revenue would cover all but \$830,000 of the \$52.83 million in cash requirements of the proposed FY 2013-14 solid waste budget. The difference of \$830,000 would be paid by a draw from the uncommitted Solid Waste Fund balance. All reserves of the Solid Waste Fund will remain fully funded at their agreed-upon financial targets after this draw. If the council approves this ordinance, the \$52 million of enterprise revenue and \$830,000 draw from the fund balance will be incorporated in the FY 2013-14 budget prior to adoption.

RECOMMENDATION

The Chief Operating Officer recommends adoption of Ordinance No. 13-1302.