

# A G E N D A

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**METRO**

## Agenda

MEETING: METRO COUNCIL WORK SESSION MEETING  
DATE: March 2, 2004  
DAY: Tuesday  
TIME: 1:00 PM  
PLACE: Metro Council Chamber

### CALL TO ORDER AND ROLL CALL

- |         |    |  |                   |
|---------|----|--|-------------------|
| 1:00 PM | 1. | <b>DISCUSSION OF AGENDA FOR COUNCIL<br/>REGULAR MEETING, MARCH 4, 2004</b>   |                   |
| 1:15 PM | 2. | <b>RATE REVIEW ISSUES</b>  | Anderson          |
| 2:00 PM | 3. | <b>REGIONAL SYSTEM FEE CREDIT PROGRAM</b>  | Anderson          |
| 2:30 PM | 4. | <b>BUDGETARY ISSUES</b>  | Stringer          |
| 3:30 PM | 5. | <b>CITIZEN COMMUNICATION</b>   |                   |
| 3:40 PM | 6. | <b>EXECUTIVE SESSION HELD PURSUANT TO<br/>ORS 192.660(1)(e). DELIBERATIONS WITH<br/>PERSONS DESIGNATED TO NEGOTIATE<br/>REAL PROPERTY TRANSACTIONS</b> | Chase/<br>Desmond |
| 3:55 PM | 7. | <b>CHIEF OPERATING OFFICER COMMUNICATION</b>   |                   |
| 4:05 PM | 8. | <b>COUNCILOR COMMUNICATION</b>   |                   |

**ADJOURN**

Agenda Item Number 2.0

***RATE REVIEW ISSUES***

Metro Council Work Session  
Tuesday, March 2, 2004  
Metro Council Chamber

## METRO COUNCIL

### Work Session Worksheet

Presentation Date: March 2      Time: 1:00 PM      Length: 45 min.  
Presentation Title: FY 2004-05 Solid Waste Rates  
Department: Solid Waste & Recycling  
Presenter: Douglas Anderson

#### ISSUE & BACKGROUND

Every year, the Council adjusts solid waste rates to account for changes in costs, tonnage, and to remain in compliance with the rate covenant of the bonds.

An additional element in the rate process this year has been a detailed study of the Department's cost structure by the Rate Review Committee ("RRC"). The RRC requested this study after the FY 2003-04 rate process, in order to improve the quality of their recommendations. The RRC has formulated three basic recommendations that affect cost allocations and rates:

1. *Maintain a financial model of the true full cost of programs and services, and allocate fully-loaded programs and services largely according to the current rate model.*

This recommendation is based on the RRC's opinion that the current rate model (1) allocates the direct costs of programs and services appropriately—with the exception of private facility regulatory costs and debt service; and (2) does not work as well for relating the costs of administration and overhead with the activities that cause those costs.

2. *Establish a new fee.*

A new fee, to be levied on non-Metro users of the system should be established. This recommendation is consistent with collecting the true and full costs of programs from the persons who cause the cost—in this case, privately-owned and Metro-regulated facilities.

3. *Extend the philosophy above to the recovery of debt service.*

Debt service (amortized capital costs) should be partitioned into two elements, one representing the cost of utilized capital, and the other representing the cost of underutilized, or "stranded" capacity. Users—Metro customers—should pay for the utilized portion, and the entire region should pay for the stranded capacity through the Regional System Fee.

The thinking and justification behind these recommendations will be presented at the March 2 work session. The implications of these recommendations—qualitative and quantitative—for the FY 2004-05 rates are captured in the attached rate ordinances and staff reports. Staff will also expand upon these at the March 2 work session.

The budget process this year has necessitated a tight schedule for the rate ordinances. Specifically, in order to meet the traditional implementation date of July 1 for rates, the rate ordinances had to be filed by February 25. This means that the RRC has not yet reviewed the quantitative implications of their recommendations or the specific level of the FY 2004-05 rates, but plans to do so in early-to-mid March. If the RRC or the Council recommends any substantive amendments to the rate ordinances,

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING ) ORDINANCE NO. 04-1042  
METRO CODE CHAPTER 5.02 TO )  
AMEND DISPOSAL CHARGES AND ) Introduced by: Michael Jordan, Chief Operating  
SYSTEM FEES ) Officer, with the concurrence of David Bragdon,  
) Council President

WHEREAS, Metro Code Chapter 5.02 establishes solid waste charges for disposal 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, pursuant to its charge under Metro Code Chapter 2.19.170, the Solid Waste Rate Review Committee, has reviewed the Solid Waste & Recycling department's budget and organization, and has recommended methodological changes to the calculation of administrative and overhead costs, and the allocation of these costs to rate bases; and,

WHEREAS, Metro's costs for solid waste programs have increased; now, therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

Section 1. Metro Code Section 5.02.025 is amended to read:

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 ~~\$42.55~~ 47.75 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) A Transaction Charge of ~~\$9.506.00~~ for each Solid Waste Disposal Transaction.

(b) Notwithstanding subsection (a) of this section, 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 220340 pounds or less of \$17, which shall consist of a minimum Tonnage Charge of ~~\$7.5011.00~~ plus a Transaction Charge of ~~\$9.506.00~~ per Transaction.

(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 the Solid Waste & Recycling Department 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.

Section 2. Metro Code Section 5.02.045 is amended to read:

5.02.045 System Fees

(a) Regional System Fee: Solid waste system facility operators shall collect and pay to Metro a Regional System Fee of ~~\$13.20~~<sup>16.57</sup> per ton for the disposal of solid waste generated, originating, collected, or disposed of within Metro boundaries, in accordance with Metro Code Section 5.01.150.

(b) Metro Facility Fee: Metro shall collect a Metro Facility Fee of \$1.09 per ton for all solid waste delivered to Metro Central Station or Metro South Station.

(c) System fees described in paragraph (a) shall not apply to exemptions listed in Section 5.01.150(b) of this Code.

Section 3. Effective Date

The provisions of this ordinance shall become effective on July 1, 2004, or 90 days after adoption by Metro Council, whichever is later.

ADOPTED by the Metro Council this \_\_\_\_\_ day of \_\_\_\_\_, 2004.

\_\_\_\_\_  
David Bragdon, Council President

ATTEST:

Approved as to Form:

\_\_\_\_\_  
Christina Billington, Recording Secretary

\_\_\_\_\_  
Daniel B. Cooper, General Counsel

## STAFF REPORT

### IN CONSIDERATION OF ORDINANCE NO. 04-1042 FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.02 TO AMEND DISPOSAL CHARGES AND SYSTEM FEES

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Date: February 24, 2004

Prepared by: Douglas Anderson

## BACKGROUND

### *Summary*

*Ordinance No. 04-1042, and a companion Ordinance No. 04-1043, would establish solid waste fees (but not excise tax) for FY 2004-05. The two ordinances are related, and changes to one should be reflected in changes to the other.*

*Ordinance No. 04-1042 is the basic rate ordinance adopted by Council each year. This ordinance amends Metro Code Chapter 5.02 to set three basic rates: the transaction fee and tonnage charge at Metro transfer stations, and the Regional System Fee charged against all regional solid waste disposal. By setting these rates, the Metro tip fee is established. The ordinance also adjusts the minimum load charge to reflect these changes.*

*Depending on the Council's decisions on the Solid Waste & Recycling budget, acceptance of the recommendations of the Solid Waste Rate Review Committee, and the FY 2004-05 excise tax, the Metro tip fee would rise from its current \$67.18 per ton to either \$68.44 or \$70.97 per ton—an increase ranging from \$1.26 to \$3.79 per ton. This increase is exaggerated by the fact that the current tip fee is subsidized by \$1, but the FY 2004-05 rates are proposed at their full cost recovery levels. Depending on these same decisions, the transaction fee (an important component of the disposal charge at Metro transfer stations) would remain flat at \$6.00 or rise as much as \$3.50, to \$9.50. This difference is largely a function of the Solid Waste Rate Review Committee recommendations.*

*The companion Ordinance No. 04-1043 amends Metro Code Chapter 5.03 to establish new license and franchise fees to be charged at privately-owned facilities. These new fees, recommended by the Solid Waste Rate Review Committee, are designed to recover Metro's costs of regulating private facilities. Unlike Metro's other rates, the new license/franchise fees would not be incurred by customers of Metro transfer stations. By absorbing some of the costs currently recovered by the Regional System Fee, these new charges reduce the Regional System Fee. If Ordinance No. 04-1043 is not adopted, the level of the Regional System Fee in Ordinance No. 04-1042 would have to be adjusted.*

*Because of the budget schedule this year, the numerical values of the FY 2004-05 rates had not been reviewed by the Solid Waste Rate Review Committee as of the filing deadline for the ordinances. This review is expected before mid-March, and should be forwarded to Council prior to March 25, which is the last day to make substantive amendments to the ordinances and remain on track for a July 1 implementation date for the new rates.*

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Every year, the Council adjusts solid waste rates to account for changes in costs, tonnage, and to remain in compliance with the rate covenant of the bonds. Council must adopt rates by ordinance. The Metro Charter requires at least 90-days between adoption of the rate ordinance and the effective date of the rates.

Historically, Metro has targeted July 1 as the effective date for new rates. This date is a matter of convenience, allowing for business planning and coordination by Metro, local governments and the solid waste industry. However, there is no legal requirement to meet this date.

An additional element this year is a detailed study of the Department's cost structure by the Solid Waste Rate Review Committee ("RRC"). The RRC requested this study after the FY 2003-04 rate process, in order to improve the quality of their professional recommendations.

The cost study has implications for rates, because a basic starting principle in rate-setting (and articulated by the RRC) is that recovery of costs should be related to the causes of those costs. More simply put, users (or beneficiaries) should pay for the goods and services they consume, all else equal. If the cost is generated by a public policy choice—say, the provision of hazardous waste collection—then the beneficiaries should pay. For example, in the case of hazardous waste, all regional ratepayers contribute to paying the costs of Metro's program.

The RRC recognizes that this principle is a starting point, and not the only determinant of rates. However, the RRC felt that they were not in a position to give Council the best advice until they had a firmer empirical grasp on the basic mechanisms that generate Metro's solid waste costs.

As a result of the cost study, the RRC makes 3 general recommendations on allocations and rates, listed below. **Ordinances No. 04-1042 and 04-1043 reflect these recommendations on cost allocations.** As mentioned in the summary, however, the RRC has not yet reviewed the specific numerical FY 2004-05 results of these allocation policies, as the budget was not yet available.

#### Summary

#### Rate Review Committee Recommendations on Cost Allocations and Rates

1. *Maintain a financial model of the true full cost of programs and services, and allocate fully-loaded programs and services largely according to the current rate model.*

This recommendation is based on the RRC's opinion that the current rate model (1) allocates the direct costs of programs and services appropriately—with the exception of private facility regulatory costs and debt service; and (2) does not work as well for relating the costs of administration and overhead with the activities that cause those costs. See Table 1 (next page) for more details.

2. *Establish a new fee.*

A new fee, to be levied on non-Metro users of the system should be established. This recommendation is consistent with collecting the true and full costs of programs from the persons who cause the cost—in this case, privately-owned and Metro-regulated facilities.

3. *Extend the philosophy above to the recovery of debt service.*

Debt service (amortized capital costs) should be partitioned into two elements, one representing the cost of utilized capital, and the other representing the cost of underutilized, or "stranded" capacity. Users—Metro customers—should pay for the utilized portion, and the entire region should pay for the stranded capacity through the Regional System Fee.

For more background on these points, see Table 1, "Rate Review Committee Preliminary Findings on Cost Allocations," on the following page.

**Table 1  
Rate Review Committee Preliminary Findings on Cost Allocations**

Center	Direct Costs	Administrative Support & Overhead
Disposal services	Currently allocated to Metro customers. RRC agrees with status quo	<p>Administration &amp; overhead are currently allocated to all regional ratepayers through the RSF. Therefore, Metro customers as a group pay for administration &amp; overhead in proportion to tonnage—currently 47.5%, or about \$3.1 million. Non-Metro customers pay the balance.</p> <p>The RRC’s preliminary findings on the \$6.45 million in administration, overhead and service transfers in the FY 2003-04 budget, are:*</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Disposal operations generate administrative and overhead costs of about \$2.10 million. This amount should be paid by the persons who cause those costs; namely, transfer station customers.</li> <li><input type="checkbox"/> Regional programs (such as hazardous waste and waste reduction) are responsible for about \$4.15 million. This amount should be paid by the beneficiaries of those programs; namely, all regional ratepayers.</li> <li><input type="checkbox"/> Private facility regulation generates about \$204,000 of administration and overhead. This amount should be paid by the persons who cause those costs; namely, Metro-regulated facilities.</li> </ul>
Programs	<p>Currently allocated to all regional ratepayers through the RSF.</p> <p>RRC recommends that regulatory and auditing functions be allocated to a new fee paid by non-Metro customers, and agrees that the balance should remain allocated to the RSF.</p>	<p>In order to better associate the activities that generate these costs, the RRC recommends that:</p> <ol style="list-style-type: none"> <li>1. The true administrative costs of programs and services be established;</li> <li>2. These costs be added to the direct costs of programs and services;</li> <li>3. These fully-loaded programs and services be allocated to rate bases according to the recommendations on direct costs (column left).</li> </ol>
Debt service	<p>Recommend dividing into two parts, representing (1) utilized capacity &amp; (2) underutilized, or “stranded” capacity. Allocate the utilization portion to Metro customers (representing payment for use), and the stranded portion to the RSF (representing policy that all ratepayers should pay for public investments undertaken on the behalf of the region).</p>	

\* Observation. A fair allocation of administration & OH costs to Metro customers would be the entire \$2.1 million associated with disposal operations, plus \$2 million (47.5%, the tonnage share) of the costs associated with regional programs, for a total of \$4.1 million. Thus, the “tonnage share” allocation that is implicit within the current rate model collects about \$1 million less from Metro customers than when full costs and cost causation are accounted for.

### Comparative Analysis of the Rates

Staff employed the RRC’s allocation recommendations to calculate the rates in this ordinance. These rates and the effect on Metro’s tip fee are shown in the following table. The figures in the column under “This Ordinance” are the rates implemented by Ordinance No. 04-1042 as filed.

Although the overall increase in the tip fee is reasonable and in historical range (less than \$2, or 1.9 percent), the changes in the various components are large (over 50 percent increase in the case of the transaction fee). In the past, the RRC has recommended against abrupt “steps” in the rates; and for this



reason, staff expects the RRC to look critically at the implementation path and phasing of its recommendation once the committee has had the opportunity to review these results.

Table 2  
**Components of the Metro Tip Fee & Change, FY 2003-04 to 2004-05**  
 Shown for 2 Different Rate Models and 2 Excise Tax Scenarios  
 (all figures in dollars per ton)

Rate Component	Current Rates (FY 2003-04)	FY 2004-05 Rates			
		Based on Current Rate Model		This Ordinance	
		Rates	Change	Rates	Change
Transaction Fee	\$6.00	\$6.00	-	\$9.50	\$3.50
Disposal Operations	\$42.55	\$43.79	\$1.24	\$47.45	\$4.90
Regional System Fee	\$16.57 <sup>1</sup>	\$16.30	(\$0.27) <sup>1</sup>	\$13.20	(\$3.37) <sup>1</sup>
Excise Tax	\$6.32	\$6.61 <sup>2</sup>	\$0.29	\$6.61 <sup>2</sup>	\$0.29
DEQ Fees	\$1.24	\$1.24	-	\$1.24	-
Host Fee	\$0.50	\$0.50	-	\$0.50	-
<b>Tip Fee</b>	<b>\$67.18<sup>1</sup></b>	<b>\$68.44</b>	<b>\$1.26</b>	<b>\$69.00</b>	<b>\$1.82</b>
<i>With new excise tax<sup>3</sup></i>	<i>\$67.18</i>	<i>\$70.41</i>	<i>\$3.23</i>	<i>\$70.97</i>	<i>\$3.79</i>

- 1 The FY 03-04 rate is subsidized ("bought down") by the fund balance. The unit cost is about \$1 higher at \$17.56, making the unsubsidized tip fee \$68.18/ ton. For better comparability, \$1 should be subtracted from the changes. (For example, the 2004-05 tip fee under the current rate model would become an increase of only 26¢ rather than \$1.26.)
- 2 Assumes extension or elimination of the sunset on the tax for Parks. The resulting total rate of \$6.61 is: base excise tax rate of \$5.58, plus \$1.03 for Parks.
- 3 Assumes \$8.58 total rate = base excise tax rate of \$5.58 + \$3.00 additional tax.

Metro also imposes charges on privately-owned facilities and non-system licensees. These charges are added to the private per-ton costs. The fees are shown in Table 3.

Table 3  
**Components of Metro Charges on Privately-Owned, Metro-Regulated Facilities**  
 Rates and Changes, FY 2003-04 to 2004-05  
 Shown for 2 Different Rate Models and 2 Excise Tax Scenarios  
 (all figures in dollars per ton)

Private Facility Charges	Current Rates (FY 2003-04)	FY 2004-05 Rates			
		Based on Current Rate Model		This Ordinance	
		Rates	Change	Rates	Change
Regional System Fee	\$16.57 <sup>1</sup>	\$16.30	(\$0.27)	\$13.20	(\$3.37)
Excise Tax	\$6.32	\$6.61 <sup>2</sup>	\$0.29	\$6.61 <sup>2</sup>	\$0.29
License/Franchise Fee <sup>3</sup>	-	-	-	\$0.88 <sup>3</sup>	\$0.88
<b>Total charges</b>	<b>\$22.89</b>	<b>\$22.91</b>	<b>\$0.02</b>	<b>\$20.69</b>	<b>(\$2.20)</b>
<i>With new excise tax<sup>4</sup></i>	<i>\$22.89</i>	<i>\$24.88</i>	<i>\$1.99</i>	<i>\$22.66</i>	<i>(\$0.23)</i>

—Footnotes to this table may be found at the top of the next page—

- 1 This rate is subsidized ("bought down") by the fund balance. Unit cost rate is ~\$1 higher at \$17.56. All other rates in this table are unsubsidized rates. The excise tax is calculated by a separate formula set forth in Metro Code Chapter 7.01.
- 2 Assumes extension or elimination of the sunset on the tax for Parks. The resulting total rate of \$6.61 is: base excise tax rate of \$5.58, plus \$1.03 for Parks.
- 3 The License/Franchise Fee shown is the average rate per ton. Rates incurred at individual facilities may be higher or lower than this figure.
- 4 Assumes \$8.58 total rate = base excise tax rate of \$5.58 + \$3.00 additional tax.

## INFORMATION/ANALYSIS

### 1. Known Opposition.

Although no specific opposition has been voiced as of this writing, there is precedent for opposition to solid waste rate increases. The following are historical reactions from various user groups:

**Haulers.** Haulers' reactions to rate increases have been mixed. But generally, haulers tend to dislike rate increases because these costs are passed on to their customers, and the haulers are typically the first in line to field the resulting complaints and potential loss of business. In some local jurisdictions that regulate haulers' service charges, the allowed rate-of-return is based on the cost-of-sales; and in some of these cases, haulers may profit mildly from a rate increase because it increases the base on which their rate of return is calculated. However, historically, the majority of haulers have testified that negative customer relations issues outweigh any other advantages to rate increases, and therefore haulers have generally opposed such increases.

**Ratepayers.** Ratepayers' costs will go up. Ratepayers typically oppose rate increases, although increases of \$1 to \$2 per ton have historically not motivated significant opposition. However, the current economic climate may magnify the effect of any rate increase.

#### Mixed Reaction.

**Recycling Interests.** Recycling interests have historically supported higher disposal fees, because that makes recycling relatively more attractive. However, because the Regional System Fee is levied on disposal only, it is a powerful region-wide price incentive for recycling—and for this reason, recycling interests would tend to disagree with reductions in the Regional System Fee.

#### Probable Support.

**Private Facility Operators.** Private solid waste facility operators have historically supported increases in Metro's tip fee because their own private tip fees can follow the public lead—so long as the increase is not due primarily to the Regional System Fee, which is a cost to these same operators. Because this ordinance raises the tip fee through an increase in the tonnage charge and transaction fee, and at the same time *reduces* the Regional System Fee (although this reduction is partially offset by the imposition of the new license/franchise fee), facility operators are likely to support this change.

**Private Disposal Site Operators.** Landfills and private transfer stations simply pass any changes in the Regional System Fee on to their customers. The reduction of the system fee means that private operators have an opportunity to reduce or hold the line on their own tip fees. As all but one local private disposal operation are rate regulated (the exception being Forest Grove Transfer Station), the increase in the Metro tip fee is not likely to confer any relative pricing advantages.

2. **Legal Antecedents.** Metro's solid waste rates are set 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.
3. **Anticipated Effects:** This ordinance will increase the cost of disposal at Metro transfer stations. Historically, most private facilities have mirrored the Metro increases. The reduction of the Regional System Fee will improve operating margins at private facilities, which provides Metro with an opportunity to examine the level of Regional System Fee credits.
4. **Budget Impacts.** These rates are designed to recover fully the department's budgeted costs. These rates are in full compliance with the rate covenant of the solid waste revenue bonds.

#### **RECOMMENDATION**

The Chief Operating Officer generally recommends adjustment of solid waste rates to recover costs and remain in compliance with the bond covenant. However, the Chief Operating Officer awaits the final findings and recommendations of the Solid Waste Rate Review Committee before taking a specific position on Ordinance No. 04-1042.

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING ) ORDINANCE NO. 04-1043  
METRO CODE CHAPTER 5.03 TO )  
AMEND LICENSE AND FRANCHISE ) Introduced by: Michael Jordan, Chief Operating  
FEES, AND MAKING RELATED ) Officer, with the concurrence of David Bragdon,  
CHANGES TO METRO CODE ) Council President  
CHAPTER 5.01 )

WHEREAS, Metro Code Chapter 5.03 establishes fees for solid waste facilities that are franchised by Metro; and,

WHEREAS, the Solid Waste Rate Review Committee has reviewed the Solid Waste & Recycling Department's budget, and has recommended that certain costs of regulating solid waste facilities, currently recovered from the Regional System Fee, instead be recovered from license or franchise fees; and,

WHEREAS, the FY 2004-05 Regional System Fee set forth in Metro Code section 5.01.045, as amended by Section 2 of Ordinance No. 04-1042, reflects the reallocation of certain regulatory costs to license and franchise fees; now therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

Section 1. Metro Code Chapter 5.03 shall be retitled "License and Franchise Fees and Related Fees."

Section 2. Metro Code Section 5.03.010 is amended to read:

5.03.010 Purpose and Authority

It is the purpose of this chapter to establish solid waste disposal license and franchise fees charged to persons regulated pursuant to Metro Code Section Chapter 5.01.140; fees on persons licensed to use a non-system facility pursuant to Metro Code section 5.05.035; and fees collected from users of facilities operating under special agreements with Metro adopted pursuant to Metro Code section 5.05.030, hereafter "Designated Facility Agreements."

Section 3. Metro Code Section 5.03.020 is repealed.

Section 4. Metro Code Section 5.03.030 is amended to read:

5.03.030 Annual License, Franchise and Designated Facility Fees

(a) Licensees, franchisees and parties to Designated Facility Agreements, issued a solid waste disposal franchise, shall pay to Metro an annual franchise fees as set forth in this section. Such fees shall be paid in the manner and at the time required by the Chief Operating Officer on or before January 1 of each year for that calendar year.

(b) Annual solid waste disposal franchise fees shall be consist of a fixed charge \$300 per site as set forth in the following table; plus a charge per ton of solid waste, exclusive of source-separated material, accepted by the site, as set forth in the following table.

<u>Entity</u>	<u>Fixed Site Fee</u>	<u>Tonnage Fee</u>
<u>Party to a DFA</u>	<u>\$0</u>	<u>\$0.77</u>
<u>Licensees:</u>		
<u>Tire Processor</u>	<u>\$300</u>	<u>- \$0 -</u>
<u>Yard Debris</u>	<u>\$300</u>	<u>- \$0 -</u>
<u>Roofing Processor</u>	<u>\$300</u>	<u>- \$0 -</u>
<u>Non-System</u>	<u>\$300</u>	<u>\$0.77</u>
<u>Mixed waste/other</u>	<u>\$3,000</u>	<u>\$0.77</u>
<u>Franchisee</u>	<u>\$5,000</u>	<u>\$0.77</u>

(c) Notwithstanding the charges set forth in subsection (b), provided, however, that said Fixed Site Fee shall be \$100 per site with no (\$0) Tonnage Fee for each non-system licensee franchised site that only transports/receives waste exclusively from the a licensed or franchised facility, or a company, partnership or corporation in which the franchisee has a financial interest in, and is held in the same name as, the non-system licensee.

(de) Licensees, Franchisees and parties to Designated Facility Agreements who are issued licenses, franchises or Designated Facility Agreements during a calendar year shall pay a fee computed on a pro-rated quarterly basis such that one-quarter the same proportion of the annual fee shall be charged for any quarter or portion of a year quarter that the license, franchise or Designated Facility Agreement is in effect. The franchisee shall thereafter pay the fee annually as required by subsection (a) of this section. Franchise fees shall not for any reason be refundable in whole or in part. Annual franchise fees shall be in addition to franchise application fees.

Section 5. Metro Code Section 5.03.040 is amended to read:

5.03.040 Non-Payment of Franchise Fees

(a) The issuance of any license, franchise or Designated Facility Agreement shall not be effective unless and until the annual franchise fee has been paid for the calendar year for which the franchise is issued.

(b) Annual franchise fees are due and payable on January 1 of each year. Failure to remit said fee by said date shall constitute a violation of the Metro Code and of the franchise and shall subject the franchisee to enforcement pursuant to Code Section 5.01.180 in addition to any other civil or criminal remedies Metro may have.

Section 6. Metro Code Section 5.03.050 is amended to read:

5.03.050 Transfer and Renewal

For purposes of this chapter, issuance of a franchise shall include renewal and transfer of a franchise; provided, however, that no additional annual franchise fee shall be paid upon transfer or renewal when the annual franchise fee for the franchise being renewed or transferred has been paid for the calendar year in which the transfer or renewal becomes effective.

Section 6. Metro Code Section 5.01.140 is amended to read:

**5.01.140 License and Franchise Fees**

(a) The annual fee for a solid waste License ~~or shall not exceed three hundred dollars (\$300), and the annual fee for a solid waste Franchise shall be as set forth in Metro Code Chapter 5.03, not exceed five hundred dollars (\$500).~~ The Council may revise these fees upon 90 days written notice to each Licensee or Franchisee and an opportunity to be heard.

(b) The License or Franchise fee shall be in addition to any other fee, tax or charge imposed upon a Licensee or Franchisee.

(c) The Licensee or Franchisee shall pay the License or Franchise fee in the manner and at the time required by the Chief Operating Officer.

Section 7. Effective Date

The provisions of this ordinance shall become effective on July 1, 2004 or 90 days from the date this ordinance is adopted, whichever is later.

ADOPTED by the Metro Council this \_\_\_\_\_ day of \_\_\_\_\_, 2004.

\_\_\_\_\_  
David Bragdon, Council President

ATTEST:

Approved as to Form:

\_\_\_\_\_  
Christina Billington, Recording Secretary

\_\_\_\_\_  
Daniel B. Cooper, General Counsel

## STAFF REPORT

### IN CONSIDERATION OF ORDINANCE NO. 04-1043 FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.03 TO AMEND LICENSE AND FRANCHISE FEES, AND MAKING RELATED CHANGES TO METRO CODE CHAPTER 5.01

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Date: February 24, 2004

Prepared by: Douglas Anderson

## BACKGROUND

### *Summary*

*Ordinance No. 04-1043, and a companion Ordinance No. 04-1042, would establish solid waste fees (but not excise tax) for FY 2004-05. The two ordinances are related, and changes to one should be reflected in changes to the other.*

*This Ordinance No. 04-1043 amends Metro Code Chapter 5.03 to establish new license and franchise fees to be charged at privately-owned facilities. These new fees, recommended by the Solid Waste Rate Review Committee, are designed to recover Metro's costs of regulating private facilities. Unlike Metro's other rates, the new license/franchise fees would not be incurred by customers of Metro transfer stations. By absorbing some of the costs currently recovered by the Regional System Fee, these new charges reduce the Regional System Fee. If Ordinance No. 04-1043 is not adopted, the level of the Regional System Fee in Ordinance No. 04-1042 would have to be adjusted.*

*Because of the budget schedule this year, the numerical values of the FY 2004-05 rates had not been reviewed by the Solid Waste Rate Review Committee as of the filing deadline for the ordinances. This review is expected before mid-March, and should be forwarded to Council prior to March 25, which is the last day to make substantive amendments to the ordinances and remain on track for a July 1 implementation date for the new rates.*

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This ordinance emerged from the detailed study of the Department's cost structure by the Rate Review Committee ("RRC") this year. A basic starting principle in rate-setting (and articulated by the RRC) is that recovery of costs should be related to the causes of those costs, all else equal. Through their work this year, the RRC came to understand that certain of Metro's costs—regulation and auditing—are incurred because of the existence and operation of private solid waste facilities. Therefore, according to the basic principle, the regulated community should bear those costs. The RRC recommended that Metro investigate annual license and franchise fees to recover those costs.

This ordinance amends Metro Code Chapter 5.03, Disposal Site Franchise Fees, to accomplish this task. As Ordinance No. 04-1043 is closely related to the elements of the annual rate ordinance amending Metro Code Chapter 5.02 (Ordinance No. 04-1042), the reader is directed to the staff report for that ordinance for more information on the RRC's findings and recommendation.

## INFORMATION/ANALYSIS

### 1. Known Opposition.

Although no specific opposition has been voiced as of this writing, this ordinance represents a new concept that has not had wide distribution and review.

Because this ordinance would reduce the Regional System Fee by reallocating costs to the new license and franchise fees, in general, persons who currently pay the RSF would be in favor of this ordinance. This is a broad class of persons, as the RSF is levied on all regional waste.

The licensees and franchisees who would be subject to the new fee can generally be assumed to be in opposition. However, two points argue against them being in strong opposition: (1) the license/franchise fee is less than the amount by which the RSF dropped, and so their entire fee burden will drop; (2) facility owners were well represented and participated in the public meetings when this fee was developed.

2. **Legal Antecedents.** Metro's license and franchise fees are set in Metro Code chapters 5.01 and 5.03 (where they currently conflict). Any change in these fees requires an ordinance amending Chapter 5.03 (and by implication, 5.01). This ordinance also corrects the discrepancies between Chapters 5.01 and 5.03.
3. **Anticipated Effects:** This ordinance will decrease the Regional System Fee levied on all regional ratepayers. The separate funding base helps to stabilize revenue.
4. **Budget Impacts.** These rates are designed to recover fully the department's costs of regulating private disposal facilities.

## RECOMMENDATION

The Chief Operating Officer agrees with the principles embodied in this ordinance. However, the Chief Operating Officer awaits the final findings and recommendations of the Solid Waste Rate Review Committee before taking a specific position on Ordinance No. 04-1043.



Agenda Item Number 3.0

***REGIONAL SYSTEM FEE CREDIT PROGRAM ISSUES***

Metro Council Work Session  
Tuesday, March 2, 2004  
Metro Council Chamber

## METRO COUNCIL

### Work Session Worksheet

Presentation Date: March 2      Time: 1:00 PM      Length: 30 min.

Presentation Title: Short, Medium and Longer-Term Decisions on Regional System Fee Credits; Status Report on the Work of the Recycling Credit Evaluation Task Force

Department: Solid Waste & Recycling

Presenter: Michael Hoggund, Douglas Anderson

#### ISSUE & BACKGROUND

Last spring Metro created the Recycling Credit Evaluation Task Force to provide an independent and objective look at the \$1.3 million Regional System Fee credits, which provide operating subsidies to encourage post-collection recovery of mixed dry waste. The Task Force has examined questions of program efficiency, fairness, consistency with other waste reduction policies, and alternatives.

The Task Force's draft recommendations are:

1. **Immediate term (this fiscal year):** The Task Force made no recommendation.

2. **Medium-term (~1 year)**

If recovery credits remain in effect, then certain adjustments could be made to bring efficiencies to the administration of the credits:

- Excluding certain materials from the recovery rates on which the per-ton credits are based would reign in spending with little or no impact on regional recovery.
- A two-tiered Regional System Fee (one flat rate for MRF residual; another, higher rate for all other) as opposed to the current credit schedule which depends on recovery rates, would simplify administration substantially but might not offer as much incentive for the highest recovery rates.
- In lieu of—or in addition to—the recommendation above, lower per-ton credits across the board would reign in spending, but would also likely reduce recovery.

3. **Longer-term (beyond 1 year)**

In the absence of existing waste reduction goals, letting markets drive recovery would create the most economically efficient system; but waste reduction goals, such as the 62% recovery target, necessitate market intervention because disposal is still the cheapest alternative.

- Credits should be phased out under any of the following conditions:
  - The credits are not achieving their stated objectives (higher recovery, higher rate)
  - The region's recovery rate goal is achieved, or the goal is revised downward
  - A more efficient form of market intervention replaces the credits
  - MRFs are able to recover their full costs via tip fees, i.e., "at the front door"
- Metro should consider repealing the 25% minimum recovery rate requirement, especially if mandatory MRFing becomes a reality.

Agenda Item Number 4.0

***BUDGETARY ISSUES***

Metro Council Work Session  
Tuesday, March 2, 2004  
Metro Council Chamber

**METRO COUNCIL**

**Work Session Worksheet**

Presentation Date: March 2, 2004 Time: 1:00 Length: 30 minutes

Presentation Title: FY 2004-05 Budget Schedule and Process

Department: Finance & Administrative Services

Presenters: Bill Stringer, Casey Short, Kathy Rutkowski

**ISSUE & BACKGROUND**

The FY 2004-05 Proposed Budget is scheduled to be released at the Council's regular meeting on April 1. Council has scheduled a series of budget briefings in March to receive information on the content of the Proposed Budget and to discuss relevant issues prior to the Proposed Budget's formal release. The agenda item for the March 2 meeting is to discuss the process for conducting the March briefings and the formal budget sessions that will take place in April.

**OPTIONS AVAILABLE**

The Council could choose to forgo the budget briefings or to change their format. Council could also choose to change the process for consideration of the budget following release of the Proposed Budget. Certain elements of budget law do govern the process, including the requirement of a Proposed Budget, holding of public hearings on the budget, and timelines for submitting the budget to the Tax Supervising and Conservation Commission (TSCC).

**IMPLICATIONS AND SUGGESTIONS**

Finance & Administrative Services has proposed a process for the schedule of the March budget briefings, and for Council consideration of the Proposed Budget. The March briefings are to be for the purpose of providing information to the Council on the content of the Proposed Budget, so Council can make best use of its time for considering the budget in April. The proposed schedule and processes have been discussed with the Council President and Chief Operating Officer.

The briefings in March must be limited to presenting information and discussing issues. Budget law precludes the Council from taking formal action on the budget before the formal presentation of the Proposed Budget.

**QUESTION(S) PRESENTED FOR CONSIDERATION**

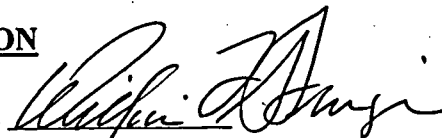
Does the Council agree with the process as outlined in the packet materials?

**LEGISLATION WOULD BE REQUIRED FOR COUNCIL ACTION** Yes  No\*  
**DRAFT IS ATTACHED** Yes  No

\*Legislation not required for Council approval of process; the budget itself requires adoption of a Resolution to transmit the budget to TSCC, and an ordinance to adopt the budget prior to July 1.

**SCHEDULE FOR WORK SESSION**

Department Director/Head Approval \_\_\_\_\_  
Chief Operating Officer Approval \_\_\_\_\_



## FY 2004-05 BUDGET PREPARATION CALENDAR

### Council Review, Approval & Adoption

	<b>Date</b>
Council Retreat discussions on program and fiscal policy issues	September - February
Publication of 1 <sup>st</sup> required notice of the Proposed Budget presentation	March 12, 2004
Publication of 2 <sup>nd</sup> required notice of the Proposed Budget presentation	March 19, 2004
Budget Briefings with Council <ul style="list-style-type: none"> <li>• Budget Briefing (1:30 – 4:30)</li> <li>• Budget Briefing (1:30 – 4:30)</li> <li>• Budget Briefing (1:30 – 4:30)</li> </ul>	Wed., March 17, 2004 Wed., March 24, 2004 Wed., March 31, 2004
Presentation of Proposed Budget to Council – <b>PUBLIC HEARING</b>	April 1, 2004
Council Review of Proposed Budget <sup>(1)</sup> <ul style="list-style-type: none"> <li>• Budget Meeting Work Session (1:30 – 4:00)</li> <li>• Budget Meeting Work Session (1:30 – 4:00)</li> <li>• Budget Meeting (2:00) – <b>PUBLIC HEARING ONLY</b></li> <li>• Budget Meeting Work Session (1:30 – 4:00)</li> <li>• Budget Meeting, (5:00 meeting in Gresham) – <b>PUBLIC HEARING ONLY</b></li> <li>• Budget Meeting, Vote on Amendments – <b>PUBLIC HEARING</b></li> </ul>	Wed., April 7, 2004 Wed, April 14, 2004 Thurs., April 15, 2004 Wed., April 21, 2004 Thurs., April 22, 2004 Tues., April 27, 2004
Council Approval of Budget – <b>PUBLIC HEARING</b>	April 29, 2004
Deadline for Submittal of Approved Budget to TSCC	May 15, 2004
TSCC Public Comment Period (20 days following submittal to TSCC)	May 16, 2004 – June 4, 2004
TSCC Public Hearing on Approved Budget (12:00 – 1:00) – <b>PUBLIC HEARING</b>	June 9, 2004
Council Adoption of Budget (no later than June 30 <sup>th</sup> ) – <b>PUBLIC HEARING</b>	June 17, 2004
File required materials with county tax assessors	by July 15, 2004
File budget document with TSCC and county clerks	by September 30, 2004

<sup>(1)</sup> Budget meeting schedule is subject to change. Meetings days and times may change. Additional meetings may be added if necessary.

**FY 2004-05 Budget Review Calendar and Process  
Council Discussion – March 2, 2004**

**Revisions to Calendar:**

- Moved vote on amendments from Thursday, April 22<sup>nd</sup> at 5:00 meeting in Gresham to Tuesday, April 27<sup>th</sup> at 1:00 at Metro.
  - ✓ There were no other agenda items scheduled for the April 27<sup>th</sup> Informal meeting
  - ✓ Meeting is currently scheduled for 3 hours
  
- Moved approval of budget from Thursday, April 29<sup>th</sup> at 5:00 meeting in Hillsboro to Thursday, May 6<sup>th</sup> at 5:00 meeting in Tualatin
  - ✓ Was uncertain if there would be sufficient time to process amendments and prepare summary materials for Council review and discussion
  - ✓ Approval of budget by resolution must be at a formal Council meeting
  - ✓ Alternative – Have special Council meeting Wednesday, May 5<sup>th</sup> for approval of budget (Tuesday May 4<sup>th</sup> is scheduled for public hearing on Goal 5 at Sunnybrook)
  
- Requested extension of TSCC deadline from Saturday, May 15<sup>th</sup> to Wednesday, May 19<sup>th</sup> to accommodate change in approval date to May 6<sup>th</sup>
  - ✓ Last available day for extension.
  - ✓ TSCC must hold budget for 20 day public comment period prior to hearing on June 9<sup>th</sup>

**Outstanding Questions:**

1. Are revisions acceptable?
2. Will the Tuesday, April 27<sup>th</sup> meeting to vote on amendments be a formal Council meeting?
3. Do you still wish to have public hearings on the budget at the April 22<sup>nd</sup> meeting in Gresham and the April 29<sup>th</sup> meeting in Hillsboro?
4. Do you wish to approve the budget at the 5:00 meeting in Tualatin on May 6<sup>th</sup> or designate a special Council meeting on Wednesday, May 5<sup>th</sup>?
5. The budget is currently schedule to be adopted on June 17<sup>th</sup>. That meeting is currently listed as a 5:00 Council meeting but does not state where it will be held. Does the Council wish to defer the adoption of the budget to Thursday June 24<sup>th</sup>, which is still listed at a 2:00 meeting at Metro (this would be the last possible Thursday in the fiscal year to adopt the budget)?

## FY 2004-05 BUDGET PREPARATION CALENDAR

**Council Review, Approval & Adoption**

	Date
Council Retreat discussions on program and fiscal policy issues	September - February
Publication of 1 <sup>st</sup> required notice of the Proposed Budget presentation	March 12, 2004
Publication of 2 <sup>nd</sup> required notice of the Proposed Budget presentation	March 19, 2004
Budget Briefings with Council <ul style="list-style-type: none"> <li>• Budget Briefing (1:30 – 4:30)</li> <li>• Budget Briefing (1:30 – 4:30)</li> <li>• Budget Briefing (1:30 – 4:30)</li> </ul>	Wed., March 17, 2004 Wed., March 24, 2004 Wed., March 31, 2004
Presentation of Proposed Budget to Council – <b><i>PUBLIC HEARING</i></b> (2:00 meeting at Metro)	April 1, 2004
Council Review of Proposed Budget <sup>(1)</sup> <ul style="list-style-type: none"> <li>• Budget Meeting Work Session (1:30 – 4:00)</li> <li>• Budget Meeting Work Session (1:30 – 4:00)</li> <li>• Budget Meeting (2:00 meeting at Metro) – <b><i>PUBLIC HEARING ONLY</i></b></li> <li>• Budget Meeting Work Session (1:30 – 4:00)</li> <li>• Budget Meeting, (5:00 meeting in Gresham) – <b><i>PUBLIC HEARING ONLY</i></b></li> <li>• Budget Meeting, Vote on Amendments (1:00 – 4:00) – <b><i>PUBLIC HEARING</i></b></li> <li>• Budget Meeting, (5:00 meeting in Hillsboro) – <b><i>PUBLIC HEARING ONLY</i></b></li> </ul>	Wed., April 7, 2004 Wed, April 14, 2004 Thurs., April 15, 2004 Wed., April 21, 2004 Thurs., April 22, 2004 Tues., April 27, 2004 Thurs., April 29, 2004
Council Approval of Budget – <b><i>PUBLIC HEARING</i></b> (5:00 meeting in Tualatin)	Thurs. May 6, 2004
Deadline for Submittal of Approved Budget to TSCC (requested extension of deadline from May 15 <sup>th</sup> to May 19 <sup>th</sup> )	May 19, 2004
TSCC Public Comment Period (20 days following submittal to TSCC)	May 16, 2004 – June 4, 2004
TSCC Public Hearing on Approved Budget (12:00 – 1:00) – <b><i>PUBLIC HEARING</i></b>	June 9, 2004
Council Adoption of Budget (no later than June 30 <sup>th</sup> ) – <b><i>PUBLIC HEARING</i></b> (5:00 meeting at Metro?)	June 17, 2004
File required materials with county tax assessors	by July 15, 2004
File budget document with TSCC and county clerks	by September 30, 2004

<sup>(1)</sup> Budget meeting schedule is subject to change. Meetings days and times may change. Additional meetings may be added if necessary.

FY 2004-05 Budget Briefing & Review Calendar

March 2004						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2 INFORMAL	3	4 FORMAL	5	6
7	8	9 INFORMAL	10	11 FORMAL	12	13
14	15	16 INFORMAL	17 BUDGET BRIEFING 1:30 - 4:30	18 FORMAL	19	20
21	22	23 INFORMAL	24 BUDGET BRIEFING 1:30 - 4:30	25 FORMAL	26	27
28	29	30 INFORMAL	31 BUDGET BRIEFING 1:30 - 4:30			

April 2004						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1 FORMAL Council President presents Budget Message PUBLIC HEARING (required)	2	3
4	5	6 INFORMAL	7 BUDGET MEETING Worksession 1:30 - 4:00	8 FORMAL	9 Department generated amendments due (i.e. technical amendments)	10
11	12	13 INFORMAL	14 BUDGET MEETING Worksession 1:30 - 4:00	15 FORMAL 2:00 PUBLIC HEARING ONLY	16 Councilor generated amendments due.	17
18	19	20 INFORMAL	21 BUDGET MEETING Worksession Discussion of Amendments 1:30 - 4:00	22 FORMAL 5:00 (Gresham) PUBLIC HEARING ONLY	23	24
25	26	27 FORMAL Budget Meeting Vote on Amendments 1:00 - 4:00 PUBLIC HEARING	28	29 FORMAL 5:00 (Hillsboro) PUBLIC HEARING ONLY	30	



May 2004						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4 INFORMAL	5	6 FORMAL 5:00 (Tualatin) Approval of Budget PUBLIC HEARING	7	8
9	10	11 INFORMAL	12	13 FORMAL	14	15 TSSC Deadline for submittal of budget
16	17	18 INFORMAL	19 Requested extension of TSSC Deadline. Will need acceptance by TSSC.	20 FORMAL	21	22
TSSC Public Comment Period						
23	24	25 INFORMAL	26	27 FORMAL	28	29
TSSC Public Comment Period						
30	31 HOLIDAY Memorial Day					
TSSC Public Comment Period						

June 2004						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1 INFORMAL	2	3 FORMAL	4	5
TSSC Public Comment Period						
6	7	8 INFORMAL	9 TSSC HEARING ON BUDGET 12:00 - 1:00 Council Chamber Annex PUBLIC HEARING	10 FORMAL	11	12
TSSC Public Comment Period						
13	14	15 INFORMAL	16	17 FORMAL Adoption of Budget 5:00 (Metro?) PUBLIC HEARING	18	19
20	21	22 INFORMAL	23	24 FORMAL	25	26
27	28	29 INFORMAL	30			

## FY 2004-05 Council Budget Review Calendar

Date	Time	Agenda
Thursday 4/1/03	2:00	Formal Council Meeting Council President presentation of Proposed Budget <b>PUBLIC HEARING</b>
Wednesday 4/7/03	1:30	Council Budget Work Session <sup>(1)</sup> Discussion with departments (see schedule on back) <sup>(2)</sup> Question & answer
Wednesday 4/14/03	1:30	Council Budget Work Session <sup>(1)</sup> Discussion with departments (see schedule on back) <sup>(2)</sup> Discussion of proposed amendments
Thursday 4/15/03	2:00	Formal Council Meeting <b>PUBLIC HEARING ONLY</b>
Wednesday 4/21/03	1:30	Council Budget Work Session <sup>(1)</sup> Discussion of proposed amendments
Thursday 4/22/03	5:00	Formal Council Meeting (meeting in Gresham) <b>PUBLIC HEARING ONLY</b>
Tuesday 4/27/03	1:00	Formal Council Meeting Vote on Amendments <b>PUBLIC HEARING</b>
Thursday 4/29/03	5:00	Formal Council Meeting (meeting in Hillsboro) <b>PUBLIC HEARING ONLY</b>
Thursday 5/6/04	5:00	Formal Council Meeting (meeting in Tualatin) Final consideration and approval of FY 2004-05 budget <b>PUBLIC HEARING</b>
Wednesday 6/9/03	12:00	Tax Supervising and Conservation Commission Hearing Council Chamber Annex <b>PUBLIC HEARING</b>
Thursday 6/17/03	5:00	Formal Council Meeting (meeting at Metro?) Adoption of FY 2004-05 Budget <b>PUBLIC HEARING</b>

(1) Additional Council budget work sessions may be scheduled at the discretion of the Council President.

(2) Schedule of department presentations subject to change.

## Schedule of Department Discussions with the Council

*All departments will have had a briefing with the Council in March. For the department discussions with the Council in April, each department should prepare a **short 2 – 3 minute review of the budget briefing.***

Time	April 7, 2004	April 14, 2004
1:00		
1:30	Council (10 minutes) Metro Attorney (10 minutes) Public Affairs (10 minutes)	Oregon Zoo (30 minutes)
2:00	MERC (30 minutes)	Solid Waste & Recycling (30 minutes)
2:30	Regional Parks (30 minutes)	Auditor (30 minutes)
3:00	Planning (30 minutes)	General discussion and follow-up Discussion of potential amendments (time remaining)
3:30	Finance & Administrative Services (30 minutes)	

*All times subject to change. Additional work sessions may be scheduled at the discretion of the Council President.*

Department	#

**AMENDMENT TO FY 2004-05 BUDGET**

**PRESENTER**

**DRAFTER:**

**DATE**

**PROPOSED AMENDMENT** (provide a brief summary of the requested action along with the specific line item affected)

<b>DEPARTMENT(S)</b>	<b>FUND(S)</b>	<b>LINE ITEMS</b>		
		<i>Acct #</i>	<i>Account Title</i>	<i>Amount</i>

**PROGRAM/STAFFING IMPACTS**

**ARGUMENTS IN FAVOR OF PROPOSED AMENDMENT** (not necessary for technical adjustments)

**OPTIONS FOR FUNDING THIS AMENDMENT** – What reductions, credits, changes, or adjustments in other budget/program areas will be necessary to accommodate this amendment?

**EFFECT ON KEY BUDGET ISSUES** – Provide a brief response to each of the following questions

- Will this amendment increase/decrease fund balance draw? If so, which fund(s) and by how much?
  
- Will this amendment increase/decrease central overhead spending? If so, by how much?

**FY 2004-05 Budget  
Budget Briefings to Council**

Budget Briefings will be provided to the Council on the following schedule:

<b>Date/Time</b>	<b>Agenda</b>
Wednesday, March 17, 2004 1:30 – 4:30	Overview (15 minutes) General Fund: (30 minutes) <ul style="list-style-type: none"> <li>• Excise Tax</li> <li>• Council</li> <li>• Public Affairs</li> <li>• Special Appropriations</li> </ul> MERC (30 minutes) Central Services: (45 minutes) <ul style="list-style-type: none"> <li>• Finance &amp; Administrative Services</li> <li>• Creative Services</li> <li>• Human Resources</li> <li>• Office of Metro Attorney</li> <li>• Office of the Auditor</li> </ul> General Council discussion (60 minutes)
Wednesday, March 24, 2004 1:30 – 4:30	Solid Waste & Recycling (60 minutes) Planning (60 minutes) General Council discussion (60 minutes)
Wednesday, March 31, 2004 1:30 – 4:30	Oregon Zoo (60 minutes) Regional Parks and Greenspaces (60 minutes) General Council discussion (60 minutes)

- For each department, the assigned Financial Planning analyst will present a short (5 – 10 minutes) summary of the budget. The presentation will include a financial summary and significant highlights.
- Following the brief presentation, it will be opened up for Council discussion of programmatic issues with specific department staff.
- The agenda provides a time at the end of each day for general Council discussion.

**FY 2004-05 Solid Waste Rates  
Council Work Session  
March 2, 2004**

**Today's Presentation**

- **Introduction**
- **Rate Ordinance Schedule**
- **FY 2004-05 Rates: Current Rate Model**
- **The Work of the Rate Review Committee**
  - *The Model*
  - *The Rate Implications*
- **Council's Options**

**Council Work Session  
March 2, 2004**

**Introduction**

**Today's topic: annual solid waste rate ordinances.**

**These are "placeholder" ordinances, filed to stay on schedule.**

**Two related ordinances have been filed:**

*Ordinance No. 04-1042:* Standard annual rate ordinance. Amends Chapter 5.02 to set new Regional System Fee, Transaction Fee, Tonnage Charge (and by implication, Metro tip fee and minimum charge).

*Ordinance No. 04-1043:* A companion to the rate ordinance. Amends Chapter 5.03 to set new license and franchise fees designed to recover Metro's cost of regulating private disposal and recovery facilities.

**These reflect the work of the Rate Review Committee.**

**Background covered today:**

- **Rate Review Committee work**
- Comparison with current rate model
- Council's options

**Desired outcomes today:**

*Council understands*

- Schedule
- Rate Review Committee work, and
- Difference between current rate model
- Council's options.

*Opportunity for Council feedback to staff, Rate Review Committee*

## FY 2004-05 Solid Waste Rate Legislation: Calendar

Schedule Designed for July 1, 2004 Implementation of New Rates

	S	Monday	Tuesday	Wednesday	Thursday	Friday	S
M A R C H  2 0 0 4		1	2 <b>Work Session</b>	3	4	5	6
	7	8	9 <b>RRC meets</b>	10	11 <b>1<sup>st</sup> Reading</b>	12	13
	14	15	16 <i>Optional Wk. Session</i>	17	18	19	20
	21	22	23 <i>Optional Wk. Session</i>	24	25 <b>2<sup>nd</sup> Reading</b>	26	27
	28	29	30	31	1 <b>Vote</b>	2	3

Last opportunity to make substantive amendments and remain on July 1 schedule.

Historically, Metro has targeted July 1 as the effective date for new rates.

This date is a matter of convenience, allowing for business planning and coordination by Metro, local governments and the solid waste industry.

However, there is no legal requirement to meet this date.



**FY 2004-05 Solid Waste Rates  
Current (FY 2003-04) Rate Model**

Below are FY 2004-05 rates, based on:

- o Department's requested budget, developed with President Bragdon.
- o The rate model used for the current year (more on this later).

These rates are in full compliance with the bond covenants.

Rate Component	Current Rates (FY 2003-04)	FY 2004-05 Rates	
		Rates	Change
Transaction Fee	\$6.00	\$6.00	-
Disposal Operations	\$42.55	\$43.79	\$1.24
Regional System Fee	→ \$16.57 <sup>1</sup>	\$16.30	(\$0.27) <sup>1</sup>
Excise Tax	→ \$6.32	\$6.61 <sup>2</sup>	\$0.29
DEQ & Host Fees	\$1.74	\$1.74	-
<b>Tip Fee</b>	<b>\$67.18<sup>1</sup></b>	<b>\$68.44</b>	<b>\$1.26</b>

→ Metro also charges these fees at privately-owned facilities.

Total of private charges	\$22.89	\$22.91	\$0.02
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**Notes**

- 1 The FY 03-04 rate is subsidized ("bought down") by the fund balance. The unit cost is about \$1 higher at \$17.56, making the unsubsidized tip fee \$68.18/ ton. For better comparability, \$1 should be subtracted from the changes. (For example, the 2004-05 tip fee under the current rate model would become an increase of only 26¢ rather than \$1.26.)
- 2 Assumes extension or elimination of the sunset on the tax for Parks. The resulting total rate of \$6.61 is: base excise tax rate of \$5.58, plus \$1.03 for Parks.

## Allocation Map Current (FY 2003-04) Rate Model

This map shows which budget costs are assigned to which rate bases.  
This assignment determines who pays for the program or service.

<u>Budget Area</u>	<u>Rate Bases</u>		
	<u>Metro TS Fees (exclusively)</u>	<u>Everyone (Regional System Fee)</u>	<u>Non-Metro Fees (exclusively)</u>
<b>Disposal Services</b>			
Metro .....	X		
Contracts .....	X		
<b>Programs</b>			
Hazardous Waste .....		X	
Latex Paint .....		X	
Illegal Dumping .....		X	
Waste Reduction .....		X	
...			
Facility Regulation .....		X	
Facility Auditing .....		X	
<b>Debt Service</b> .....		X	
<b>Support Services</b>			
Admin. & Overhead .....		X	
Service Transfers .....		X	
<b>Totals</b>	<u>\$26.3</u> million	<u>\$19.9</u> million	---

## **An Overview of the Work of the Rate Review Committee**

The RRC asked to study the Department's cost structure after the FY 2003-04

Purpose: to improve the quality of their professional recommendations.

Starting principle: recovery of costs should be related to the causes of those costs.

- *User pays* (case of demand for goods or services—e.g., transfer station customer)
- *Beneficiary pays* (cost is generated by a public policy choice—e.g., all regional ratepayers contribute to paying the costs he provision of hazardous waste collection)

Recognition that this principle is a starting point, not the only determinant of rates.

However, the RRC felt that they were not in a position to give Council the best advice until they had a firmer empirical grasp on the basic mechanisms that generate Metro's solid waste costs.

### **Rate Review Committee's Recommendations**

1. *Maintain a financial model of the true full cost of programs and services, and allocate fully-loaded programs and services according to the current rate model.*

This recommendation is based on the RRC's opinion that the current rate model (1) allocates the direct costs of programs and services appropriately—with the exception of private facility regulatory costs and debt service; and (2) does not work as well for relating the costs of administration and overhead with the activities that cause those costs.

2. *Establish a new fee.*

A new fee, to be levied on non-Metro users of the system should be established. This recommendation is consistent with collecting the true and full costs of programs from the persons who cause the cost—in this case, privately-owned and Metro-regulated facilities.

3. *Extend the philosophy above to the recovery of debt service.*

Debt service (amortized capital costs) should be partitioned into two elements, one representing the cost of utilized capital, and the other representing the cost of underutilized, or "stranded" capacity. Users—Metro customers—should pay for the utilized portion, and the entire region should pay for the stranded capacity through the Regional System Fee.

## Allocation Map Rate Review Committee Proposal

This map shows which budget costs are assigned to which rate bases.  
This assignment determines who pays for the program or service.

<u>Budget Area</u>	<u>Rate Bases</u>		
	<u>Metro TS Fees (exclusively)</u>	<u>Everyone (Regional System Fee)</u>	<u>Non-Metro Fees (exclusively)</u>
<b>Disposal Services</b>			
Metro .....	X		
Contracts .....	X		
<b>Programs</b>			
Hazardous Waste .....		X	
Latex Paint .....		X	
Illegal Dumping .....		X	
Waste Reduction .....		X	
...			
Facility Regulation .....		%	%
Facility Auditing .....			X
<b>Debt Service</b> .....	% (utilization)	% (stranded)	
<b>Support Services</b>	<i>These costs are first allocated to programs &amp; services</i>		
Admin. & Overhead			
Service Transfers			
<b>Totals</b>	<u>\$29.5</u> <i>million</i>	<u>\$16.1</u> <i>million</i>	<u>\$585</u> <i>thousand</i>

## FY 2004-05 Solid Waste Rates Rate Implications of the Rate Review Committee Model

Below are the FY 2004-05 rates in Ordinances 04-1042 & 1043, based on:

- o Department's requested budget, developed with President Bragdon.
- o The rate model developed by the Rate Review Committee.

These rates are in full compliance with the bond covenants.

Rate Component		Current Rates (FY 2003-04)	FY 2004-05 Rates	
			Rates	Change
Transaction Fee		\$6.00	\$9.50	\$3.50
Disposal Operations		\$ 42.55	\$ 47.45	\$4.90
Regional System Fee	→	\$ 16.57 <sup>1</sup>	\$ 13.20	(\$3.37) <sup>1</sup>
Excise Tax	→	\$ 6.32	\$ 6.61 <sup>2</sup>	\$0.29
DEQ & Host Fees		\$ 1.74	\$ 1.74	-
<b>Tip Fee</b>		<b>\$ 67.18<sup>1</sup></b>	<b>\$69.00</b>	<b>\$1.82</b>

→ Metro also charges these fees at privately-owned facilities.

License/Franchise Fee (new)	---	\$ 0.88	\$ 0.88
<b>Total of private charges</b>	<b>\$ 22.89</b>	<b>\$20.69</b>	<b>(\$2.20)</b>

### Notes

- 1 The FY 03-04 rate is subsidized ("bought down") by the fund balance. The unit cost is about \$1 higher at \$17.56, making the unsubsidized tip fee \$68.18/ ton. For better comparability, \$1 should be subtracted from the changes. (For example, the 2004-05 tip fee under the current rate model would become an increase of only 26¢ rather than \$1.26.)
- 2 Assumes extension or elimination of the sunset on the tax for Parks. The resulting total rate of \$6.61 is: base excise tax rate of \$5.58, plus \$1.03 for Parks.

## **Next Steps and Options Available**

### **Next Steps**

The Rate Review Committee has not yet analyzed the numerical results of its model

This is scheduled for March 9

The RRC's recommendations will be available by March 11 (1<sup>st</sup> reading of ordinance)

Staff expects the RRC to look critically at the implementation path and phasing

### **Options Available**

*The Council will have several opportunities for further discussion:*

- Ordinance readings, March 11 and 25
- **Optional additional work sessions, March 16 and 23**
- After March 25, if the July 1 implementation date is delayed.

*The Council has several options for action:*

1. Adopt the ordinances substantially as filed;
2. Adopt the substance of the ordinances as filed, but phase-in the changes;
3. Adopt rates under the current rate model as a placeholder; take more time to study the RRC recommendations and aim at later implementation;
4. Adopt rates under the current rate model and work with staff on findings that explain why the RRC's recommendations were not accepted.

# Implications For The RSF Credit Program: Task Force Recommendations

March 2, 2004

## Presentation Overview

### RSF Credits

- Short-term  
*direction on handling this year*
- Medium-term  
explaining the transition year
- Long-term  
understanding the pieces & interrelationships

## Long-term: Task Force Draft Recommendations

- Continue credits if 62% remains the goal
  - Credits should boost recovery; if not, eliminate
  - Phase out if...
    - regulatory approaches are taken; or
    - MRFs are able to recover costs at “front door”
  - Phase out should consider prior private capital investment
- (No task force recommendation for this fiscal year)

3

## Identified Issues that Affect Long-run Decision

- Rates
- RSWMP Contingency implementation
- RSWMP update
- RSF Credits

4



## Short-term:

*Budgeting through June 2004*

### Options

1. Maintain status quo (~\$1.25 million)
2. Eliminate inerts (save ~\$125,000)
3. Target a number higher than \$750,000;  
extend through June

5

## Medium-term:

FY 04-05

Transition from this year to long-term

### Options

- Implications of new rates
- Timing of mandatory MRFing
- Eliminate inerts; or
- Lower per-ton credit for inerts  
("two waste streams" approach)

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## Elements of RRC Recommendation

- Re-allocation of overhead & debt service  
(fully loaded program costs)
- New fee
- Lower RSF
- Higher tip fees

7

## Effect on Private Facility's Costs

**\$ 4.91      Net Revenue Increase  
(per ton)**

\$ 3.37	RSF relief
\$ 1.82	Tip fee increase
\$ 0.60	Transaction fee increase
\$ (0.88)	New private facility fee

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## Implications for RSF Credits

- Current credit payout: ~\$11.00/ton
- Less net rev. increase: (\$ 4.91)
- Implied new payout: \$ 6.09

Implications for RSF credit budget:

45% reduction

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## Presentation Review

- **Medium-term**  
*balance issues in transition*
- **Long-term**  
*balance system design objectives*
- **Short-term**  
*budget for remainder of this year*

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# Desired Outcome for Today

Council direction on remainder of this year.

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## Short-term:

Budgeting through June 2004

### Options

1. Maintain status quo (~\$1.25 million)
2. Eliminate inerts (save ~\$125,000)
3. Target a number higher than \$750,000;  
extend through June

12

**RSF Credit Options for Remainder of This Year**  
**(through June 2004)**

	<b>Budget Cap</b>	<b>Budget Increase Needed This Year</b>	<b>Feb-June '04 Monthly Payout</b>
current budget cap →	\$750,000	\$0	\$0
	\$900,000	\$150,000	\$30,000
	\$1,100,000	\$350,000	\$70,000
current spending track →	\$1,300,000	\$550,000	\$110,000

## FY 2004-05 Council Budget Review Calendar

Date	Time	Agenda
Thursday 4/1/03	2:00	Formal Council Meeting Council President presentation of Proposed Budget <b>PUBLIC HEARING</b>
Wednesday 4/7/03	1:30	Council Budget Work Session <sup>(1)</sup>
Wednesday 4/14/03	1:30	Council Budget Work Session <sup>(1)</sup>
Thursday 4/15/03	2:00	Formal Council Meeting <b>PUBLIC HEARING ONLY</b>
Wednesday 4/21/03	1:30	Council Budget Work Session <sup>(1)</sup> Discussion of proposed amendments
Thursday 4/22/03	5:00	Formal Council Meeting (meeting in Gresham) <b>PUBLIC HEARING ONLY</b>
Tuesday 4/27/03	1:00	Formal Council Meeting Vote on Amendments <b>PUBLIC HEARING</b>
Thursday 4/29/03	5:00	Formal Council Meeting (meeting in Hillsboro) Final consideration and approval of FY 2004-05 budget <b>PUBLIC HEARING ONLY</b>
<i>Thursday 5/6/04</i>	<i>5:00</i>	<i>Formal Council Meeting (meeting in Wilsonville) Hold for possible approval of budget if can't be done on April 29th</i>
Wednesday 6/9/03	12:00	Tax Supervising and Conservation Commission Hearing Council Chamber Annex <b>PUBLIC HEARING</b>
Thursday 6/17/03	4:00	Formal Council Meeting (meeting at Metro) Adoption of FY 2004-05 Budget <b>PUBLIC HEARING</b>

<sup>(1)</sup> Additional Council budget work sessions may be scheduled at the discretion of the Council President.

**FY 2004-05 Budget  
Budget Briefings to Council**

Budget Briefings will be provided to the Council on the following schedule:

<b>Date/Time</b>	<b>Agenda</b>
Wednesday, March 17, 2004 1:30 – 4:30	Overview (15 minutes) General Fund: (30 minutes) <ul style="list-style-type: none"> <li>• Excise Tax</li> <li>• Council</li> <li>• Public Affairs</li> <li>• Special Appropriations</li> </ul> Regional Parks & Greenspaces (60 minutes) Central Services: (45 minutes) <ul style="list-style-type: none"> <li>• Finance &amp; Administrative Services</li> <li>• Creative Services</li> <li>• Human Resources</li> <li>• Office of Metro Attorney</li> <li>• Office of the Auditor</li> </ul> General Council discussion (30 minutes)
Wednesday, March 24, 2004 1:30 – 4:30	Solid Waste & Recycling (60 minutes) Planning (60 minutes) General Council discussion (60 minutes)
Wednesday, March 31, 2004 1:30 – 4:30	Oregon Zoo (60 minutes) MERC (30 minutes) General Council discussion (90 minutes)

- For each department, the assigned Financial Planning analyst will present a short (5 – 10 minutes) summary of the budget. The presentation will include a financial summary and significant highlights.
- Following the brief presentation, it will be opened up for Council discussion of programmatic issues with specific department staff.
- The agenda provides a time at the end of each day for general Council discussion.



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