

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING ) ORDINANCE NO. 04-1042A  
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 ~~\$42,5545.55~~ per ton, which includes the Metro Facility Fee set forth in Section 5.02.045;
  - (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 ~~\$6,007.50~~ 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 ~~340260~~ pounds or less of \$17, which shall consist of a minimum Tonnage Charge of ~~\$11,009.50~~ plus a Transaction Charge of ~~\$6,007.50~~ 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 ~~\$16.57~~ 15.09 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~~ 1.12 per ton for all solid waste delivered to Metro Central Station or Metro South Station, which fee is included in the tonnage charge set forth in subsection 5.02.025(a)(1)(A).

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

Section 3. Metro Code Section 5.02.047 is amended by amending section 5.02.047(c) as follows:

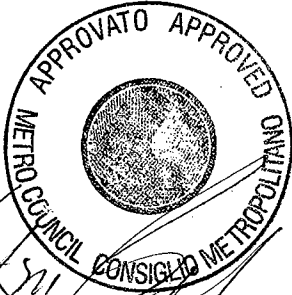
(c) Any person delivering Cleanup Material Contaminated By Hazardous Substances that is derived from an environmental cleanup of a nonrecurring event, and delivered to any Solid Waste System Facility authorized to accept such substances shall be allowed a credit in the amount of ~~\$14.07~~ 12.59 against the Regional System Fee otherwise due under Section 5.02.045(a) of this Chapter.

All other provisions of Metro Code Section 5.02.047 remain the same.

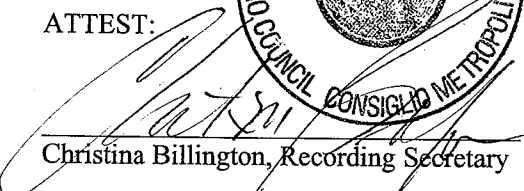
Section 43. Effective Date

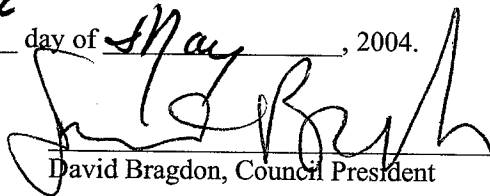
The provisions of this ordinance shall become effective on ~~July~~ September 1, 2004, or on the first day of the month following 90 days after adoption by Metro Council, whichever is later.

ADOPTED by the Metro Council this 20<sup>th</sup> day of May, 2004.

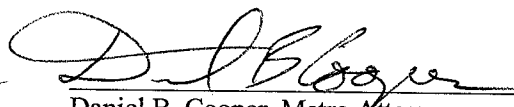


ATTEST:

  
Christina Billington, Recording Secretary

  
David Bragdon, Council President

Approved as to Form:

  
Daniel B. Cooper, Metro Attorney

## STAFF REPORT

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

Date: May 4, 2004

Prepared by: Douglas Anderson

## BACKGROUND

This "A" version amends the FY 04-05 solid waste rates in Ordinance No. 04-1042 as follows:

**Table 1. Summary of Metro FY 04-05 Solid Waste Rates Under this Ordinance, No. 04-1042A**

Rate Component	Solid Waste Charges			Change From	
	Current (FY 03-04)	Original Ordinance	<b>This "A" Version</b>	Current Charges	Original Ordinance
<b>Transaction Fee</b>	\$6.00	\$9.50	<b>\$7.50</b>	\$1.50	(\$2.00)
Charges per ton:					
Tonnage Charge	\$42.55	\$ 47.45	<b>\$45.55</b>	\$3.00	(\$1.90)
Regional System Fee	\$16.57*	\$ 13.20	<b>\$15.09</b>	(\$1.48)	\$1.89
Excise Tax	\$6.32	\$ 8.58	<b>\$8.58</b>	\$2.26	- 0 -
DEQ & Host fees	\$1.74	\$ 1.74	<b>\$1.74</b>	- 0 -	- 0 -
<b>Metro Tip Fee</b>	\$67.18	\$70.97	<b>\$70.96</b>	\$3.78	(\$0.01)

**Table 2. Summary of Metro Charges to Private Facilities Under this Ordinance, No. 04-1042A**

Rate Component	Current 2003-04	<b>Proposed 2004-05</b>	Change
Regional System Fee	\$16.57*	<b>\$15.09</b>	(\$1.48)
Excise Tax	\$6.32	<b>\$8.58</b>	\$2.26
<b>Total</b>	\$22.89	<b>\$23.67</b>	\$0.78

\* The current (FY 2003-04) Regional System Fee is subsidized by \$1.00 from the fund balance. All other rates in these tables represent full-cost-recovery (unsubsidized) rates.

The solid waste rates in the original ordinance (No. 04-1042) reflect the results of the new cost allocation model developed by the Rate Review Committee (“RRC”) after a thorough review of the department’s cost structure last winter. The RRC made three basic recommendations that directly affect rates:

1. Administration and overhead related to transfer operations should be re-allocated from the Regional System Fee to transfer station charges (tip fee and transaction fee).
2. Costs of regulating private facilities should be allocated from the Regional System Fee to a new license/franchise fee paid by non-Metro customers.
3. A portion of the debt service equal to the proportion of transfer capacity currently utilized should be re-allocated from the Regional System Fee to transfer station charges (tip & transaction fees).

These recommendations are documented in the staff report for the original Ordinance No. 1042.

These recommendations, applied against the FY 04-05 Proposed Budget, resulted in the figures shown in the “Original Ordinance” columns of Table 1. On review of these rate components, the RRC further recommended that certain of their recommendations be phased in; specifically, phasing-in the allocations to the transaction fee to avoid “price spikes” and implementing the license/franchise fee in FY 05-06. The RRC also gave some discretion to staff to ensure a smooth transition to the new rate structure.

Subsequent work, in consultation with the solid waste industry, has resulted in the rates of this “A” version of the ordinance.

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 ~~\$7.5041.00~~ 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~~~~16.57~~ 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, Metro Attorney

## 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>❑ 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> </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>	<ul style="list-style-type: none"> <li>❑ 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>❑ 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> <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	Recommend dividing into two parts, representing (1) utilized capacity & (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).	

\* 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>	\$ 67.18 <sup>1</sup>	<b>\$ 68.44</b>	\$1.26	<b>\$69.00</b>	\$1.82
<i>With new excise tax<sup>3</sup></i>	<i>\$67.18</i>	<i><b>\$70.41</b></i>	<i>\$3.23</i>	<i><b>\$70.97</b></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>	\$0.02	<b>\$20.69</b>	(\$2.20)
<i>With new excise tax<sup>4</sup></i>	<i><b>\$22.89</b></i>	<i><b>\$24.88</b></i>	<i>\$1.99</i>	<i><b>\$22.66</b></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.