

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AUTHORIZING THE )  
CHIEF OPERATING OFFICER TO AWARD )  
ADDITIONAL REGIONAL SYSTEM FEE AND )  
EXCISE TAX CREDITS IN FY 2003-04 )

RESOLUTION NO. 04-3441  
Introduced by: Michael Jordan,  
Chief Operating Office, with the  
concurrence of David Bragdon,  
Council President

WHEREAS, Metro Code section 5.02.047(e) states that the aggregate amount of credits granted against the Regional System Fee for material recovery efforts shall not exceed the dollar amount budgeted without the prior review and approval of the Metro Council; and,

WHEREAS, Metro Code section 7.01.020(g)(2) contains similar language for credits against the Metro excise tax; and,

WHEREAS, the amount budgeted for Regional System Fee credits in the FY 2003-04 Adopted Budget was reached in February 2004 and excise tax credits are tracking ahead of projections; and,

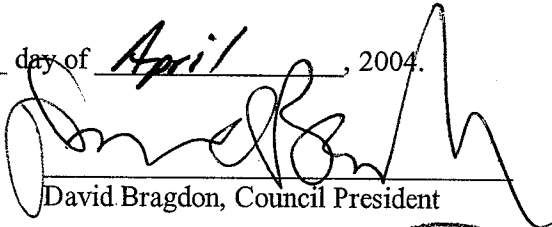
WHEREAS, in order to help meet the adopted recovery goals of the region, it is the policy of the Metro Council to provide credits for each month in which facility operators are eligible to receive, and qualify for, credits; and,

WHEREAS, there is sufficient appropriation authority in the FY 2003-04 Adopted Budget to pay for all such credits through the end of this fiscal year; now therefore,

THE METRO COUNCIL RESOLVES AS FOLLOWS:

1. The Chief Operating Officer shall issue Regional System Fee and excise tax credits through June 2004: (a) based on valid applications from qualifying operators; and (b) pursuant to the credit schedules in Metro Code sections 5.02.047(a) and 7.01.020(g)(1). The Chief Operating Officer shall also issue credits for any back-differences between the dollar amount of credits paid and credits due under a valid application submitted by a qualifying operator after January 2004.
2. Total additional expenditure for Regional System Fee credits during February 2004 through June 2004 shall not exceed \$425,000 without the prior review and authorization of the Metro Council.

ADOPTED by the Metro Council this 15<sup>th</sup> day of April, 2004.

  
David Bragdon, Council President

Approved as to Form:

  
Daniel B. Cooper, Metro Attorney



## STAFF REPORT

### IN CONSIDERATION OF RESOLUTION NO. 04-3441 FOR THE PURPOSE OF AUTHORIZING THE CHIEF OPERATING OFFICER TO AWARD ADDITIONAL REGIONAL SYSTEM FEE AND EXCISE TAX CREDITS IN FY 2003-04

---

Date: April 15, 2004

Prepared by: Douglas Anderson

## BACKGROUND

When the Metro Council approved the FY 2003-04 budget, the Council was aware that the total amount of Regional System Fee and excise tax credits might exceed the budget. In his monthly memoranda to the Council President on the Regional System Fee Credit Program, the Solid Waste and Recycling Director has confirmed that credits have tracked above the budget throughout the year. The director's most recent report indicated that the budget for credits would be exhausted during February 2004.

The Solid Waste and Recycling Department has met with the Council in several public work sessions to discuss Metro's policy toward post-collection material recovery in general; and Regional System Fee credits in particular. During these work sessions, the Council has reiterated its support of the regional recovery goals set forth in state law and in the Regional Solid Waste Management Plan. The Council learned that post-collection recovery contributes about 2.7 points toward the 62% regional recovery goal. The Council also heard testimony\* that post-collection recovery would be cut by about half without some form of intervention from Metro.

The Council's policy on program funding is expressed in Metro code:

During any Fiscal Year, the total aggregate amount of credits granted under the Regional System Fee credit program shall not exceed the dollar amount budget[sic] without the prior review and authorization of the Metro Council. *[§ 5.02.047(e)]*

During any Fiscal Year, the total aggregate amount of excise tax credits granted under the provisions of this subsection shall not exceed the dollar amount budgeted for such purpose without the prior review and authorization of the Metro Council. *[§ 7.01.020(g)(2)]*

Consideration and approval of this resolution constitutes the "prior review and authorization" required for expenditure of additional funds. This resolution authorizes the Chief Operating Officer to continue granting Regional System Fee credits for the period February 2004 through June 2004, under the following conditions:

- Eligibility for financial support is based on receipt of valid applications from qualifying operators pursuant to Metro Code sections 5.02.047 and 7.01.020.
- Additional expenditure on RSF credits during February through June 2004 is limited to \$425,000.

## INFORMATION/ANALYSIS

1. **Known Opposition.** None known.
2. **Legal Antecedents.** Metro made similar grants when the FY 2002-03 credit budget was exhausted.

---

\* From Ted Kyle, Chair of the Council President's Recycling Credits Evaluation Task Force.

3. **Anticipated Effects:** This resolution is expected to maintain the recovery of 6,800 to 15,900 tons that might be landfilled without additional financial resources.\* If the full \$425,000 is expended, the cost translates to \$62.50 per ton of recovered material under the 6,800-ton scenario; and \$26.73 per ton under the 15,900 ton scenario.
4. **Budget Impacts.** Approval of this resolution would result in \$425,000 of additional net operating expenses and about \$60,000 in foregone excise tax revenue above budget this fiscal year. The solid waste funds would be drawn from the fund balance. The excise tax revenues would be reflected as a reduction in contributions to the Recovery Rate Reserve.

The short-run fiscal impact is a mild increase in the risk of financial exposure because the reserves will be drawn below targets. The longer-term impact is the opportunity cost, which at a minimum can be measured as the foregone interest earnings had the funds remained in reserve.

Because grants are operating expenses, the \$425,000 expenditure would reduce net operating revenue as defined for the solid waste bond covenants. However, adoption of this resolution would have no material effect on Metro's ability to meet its FY 2003-04 coverage requirement because of the significant reduction of FY 2003-04 debt service that resulted from the Council's action to defease solid waste revenue bonds in February 2003.

## RECOMMENDATION

Councilor Rod Monroe recommends approval of Resolution No. 04-3441.

m:\rem\od\projects\legislation\rsfcaddstfrpt.doc

---

\* This range is calculated as follows. Based on trend, 73,000 tons of mixed waste is expected to be accepted for processing by private material recovery facilities during February to June 2004. Of this waste, 25,000 tons is expected to be recovered, and the remaining 48,000 tons of processing residual landfilled. The low loss-of-recovery estimate is based on recovering 25% (the regulatory minimum) of the 73,000 tons, or 18,200 tons—6,800 fewer tons than expected under the status quo. The higher loss-of-recovery estimate is based on the assumption that facilities would cut deliveries in the door by half and recover 25% of the 36,500 tons accepted, or 9,100 tons—15,900 fewer tons than expected under the status quo.