

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF ADOPTING SOLID)	RESOLUTION NO. 20-5142
WASTE FEES AT THE METRO TRANSFER)	
STATIONS AND THE REGIONAL SYSTEM)	Introduced by Chief Operating Officer
FEE FOR FY 2021-22)	Marissa Madrigal with the concurrence of
)	Council President Lynn Peterson

WHEREAS, Metro Code Chapter 5.02 establishes the regional system fee, which recovers the costs for all associated regional solid waste activities related to managing, planning and administering the entire recycling, processing and disposal system for the Metro region; and

WHEREAS, Metro Code Chapter 5.03 establishes the fees for solid waste at Metro Central and Metro South transfer stations; and

WHEREAS, Metro Code Chapters 5.01 and 5.02 establishes that all solid waste generated from inside the Metro jurisdictional boundary is subject to a regional system fee at the time the waste is delivered to a Metro transfer station or otherwise disposed; and

WHEREAS, Metro Code Section 5.06.030 establishes a community enhancement fee in an amount not to exceed \$1.00 on each ton of putrescible waste delivered to eligible solid waste facilities in the Metro region; and

WHEREAS, Metro Council finds that it is in the public interest for Metro to collect a community enhancement fee of \$1.00 per ton on all solid waste received at Metro’s transfer stations; and

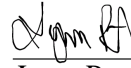
WHEREAS, Metro’s costs for solid waste services and programs have changed; and

WHEREAS, the proposed fees comply with Metro Charter Section 15 (“Limitations on Amount of User Charges”); now therefore,

THE METRO COUNCIL RESOLVES AS FOLLOWS:

- Section 1. Solid Waste Fees and Charges. The schedule of solid waste fees and charges attached hereto as Exhibit “A” is approved, and shall be implemented on the Effective Date of this ordinance.
- Section 2. Effective Date. This resolution shall become effective on July 1, 2021.
- Section 3. Interim Fees. The Chief Operating Office may establish an interim fee for an additional service or waste material at Metro’s transfer stations as provided in Administrative Rules No. 5.03-1000 through 1070.

ADOPTED by the Metro Council this 17th day of December 2020.



Lynn Peterson, Council President

Approved as to Form:



Carrie MacLaren, Metro Attorney

Exhibit A to Resolution No. 20-5142

SCHEDULE OF SOLID WASTE FEES

Effective July 1, 2021

Fees at Metro Central Station and Metro South Station

Tonnage Fees by waste class

In accordance with Metro Code Chapters 5.02 and 5.03, Metro will charge the following fee for each ton of solid waste received at a Metro transfer station

- (1) Mixed solid waste\$ 72.81
- (2) Clean Wood 64.23
- (3) Yard Debris 55.00
- (4) Residentially generated organic waste..... 76.99
- (5) Commercially generated organic waste (Metro Central only)..... 65.23

Transaction Fees by transaction class

In accordance with Metro Code Chapter 5.03, Metro will charge the following fee for each transaction at a Metro transfer station.

- (1) For users of staffed scales\$ 14.75
- (2) For users of automated scales 2.75

Minimum Charges

In accordance with Metro Code Chapter 5.03. Metro will charge a minimum tonnage fee of \$35.00 on up to 360 pounds for all classes of solid waste.

Fees on Disposal of Solid Waste

Regional System Fees by waste class

In accordance with Metro Code Chapter 5.02, Metro will assess the following regional system fee on solid waste.

- (1) Cleanup material\$ 2.50
- (2) All other solid wastes25.65

Community Enhancement Fee

In accordance with Metro Code Chapter 5.06, Metro will collect the following community enhancement fee on solid waste at all eligible solid waste facilities and at Metro transfer stations.

- (1) Putrescible solid waste\$ 1.00
- (2) Non-putrescible solid waste (as authorized by Metro Chief Operating Officer)1.00

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO 20-5142 FOR THE PURPOSE OF ADOPTING SOLID WASTE FEES AT THE METRO TRANSFER STATIONS AND THE REGIONAL SYSTEM FEE FOR FY 2021-22.

Date: December 9, 2020

Department: FRS

Meeting Date: December 17, 2020

Prepared by: Cinnamon Williams, FRS

Presenter(s): Brian Kennedy & Cinnamon Williams

Length: 10 Min

ISSUE STATEMENT

This resolution will authorize increases to Solid Waste fees at the Metro transfer stations and regional system fee to take effect on July 1, 2021.

ACTION REQUESTED

Council adoption of Resolution 20-5142

IDENTIFIED POLICY OUTCOMES

Council adoption of this resolution will:

1. Increase the Solid Waste fees at the Metro transfer stations and regional system fee to be effective as of July 1, 2021;
2. Provide Council with the annual report of the amount of solid waste that was subject to reduced fees and taxes or exempted during FY 2018-19.

POLICY QUESTION

Should Council increase the Solid Waste fees at the Metro transfer stations (including the total disposal fee, transactions fees, materials charges, and minimum load size fees) and the regional system fee?

POLICY OPTIONS FOR COUNCIL TO CONSIDER

1. Adoption of the resolution to increase Solid Waste fees at the Metro transfer stations and regional system fee to fund current Department expenses.
2. Reject the resolution and Solid Waste fees at the Metro transfer stations and regional system fee will be unchanged. This action will result in future operational budget shortfalls. This will require Metro to significantly reduce public services and make additional changes to programs and capital plans in order to keep spending in line with expected revenue collected.

STAFF RECOMMENDATIONS

The Chief Operating Officer recommends adoption of Resolution 20-5142.

STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION

Solid Waste fees are generally evaluated every spring in concert with the budget development process and adopted to be effective on July 1. This evaluation uses an annual tonnage forecast of the number of tons of garbage expected to flow through the facilities and calculations of expected costs. When tonnage growth keeps pace with cost increases, per-ton costs will generally remain relatively constant. When tonnage increases faster than costs, per-ton costs decrease and fund balances grow. Slow tonnage growth or declines can put pressure on per-ton costs and force spending the fund at a faster rate.

This year, the COVID-19 pandemic produced so much new and profound uncertainty during the standard fee-setting process, Metro made the unprecedented decision to delay rate changes until staff could further evaluate the economic impacts on tonnage and more thoroughly evaluate any needed budget reductions. Eventually the decision was made to defer the Fiscal Year 2021 fee and charges increase and to fully fund operational losses with fund balance reserves.

Garbage follows the economy. Over the last decade, as the economy grew, Metro was able to keep fee increases minimal. But since the COVID recession hit, tons have declined. In addition to fewer tons of garbage being generated across the region, tonnage has largely shifted from the business sector to the residential sector as more people work from home. Residential tonnage brings in less revenue overall. It appears that tonnage is stabilizing, but there is significant uncertainty around tonnage forecasts given the state of the economy and the ongoing COVID pandemic.

At the same time, fixed and new costs to operate the facilities have increased. Metro has been working to get the long overstretched and outdated Metro South transfer station up to acceptable service standards to accommodate a significant increase in customers in the last several years. Metro has invested in less-polluting equipment and recently transitioned to using R99 fuel in its transportation to the landfill – a greener but more expensive option. These are just some of the important improvements Metro has made in recent years in the garbage and recycling system that serves greater Portland.

Known Opposition: A solid waste industry representative opposes the single disposal fee that Metro charges for solid waste received at its transfer stations. Some local government partners have also expressed concerns about increasing disposal fees during this economic downturn.

Legal Antecedent: ORS 294.471(h) allows for the governing body to reduce appropriations when there is a reduction in available resources.

The process for setting Metro's solid waste fees and taxes are set forth in Metro Code Chapters 5.02, 5.03, and 7.01. Metro reviews its solid waste fees annually. The proposed FY 2021-22 fees comply with the restriction set forth in Chapter III, Section 15 of the Metro Charter limiting user charges to the amount needed to recover the costs of providing goods and services.

Anticipated Effects: Fee changes are anticipated as displayed in the table below:

Projected Fee Schedule				
	Existing	Projected	Difference	
	2021	2022	\$	%
Transaction Fees				
Staffed Scalehouse - South	\$10.00	\$14.75	\$4.75	47.50%
Automated Scalehouse	\$2.00	\$2.75	\$0.75	37.50%
Tipping Fees				
Mixed Solid Waste (refuse)	\$64.41	\$72.81	\$8.40	13.04%
Clean Wood	\$64.23	\$64.23	\$0.00	0.00%
Yard Debris	\$55.00	\$55.00	\$0.00	0.00%
Residential Organics	\$76.99	\$76.99	\$0.00	0.00%
Commercial Organics	\$65.23	\$65.23	\$0.00	0.00%
Fees and Taxes				
Enhancement Fee	\$1.00	\$1.00	\$0.00	0.00%
Regional System Fee (MSW only)	\$18.58	\$25.65	\$7.07	38.05%
Metro Excise Tax (MSW Only)	\$12.47	\$12.47	\$0.00	0.00%
DEQ Fees (MSW Only)	\$1.89	\$1.89	\$0.00	0.00%
Environmental Cleanup Fee	\$2.50	\$2.50	\$0.00	0.00%
MSW Tipping Fee (including taxes)	\$98.35	\$113.82	\$15.47	15.73%
Minimum Fee (MSW)	\$28.00	\$35.00	\$7.00	25.00%

Budget Impacts: The fees established by this resolution are designed to raise \$87.2 million in enterprise revenue for FY 2021-22. This revenue would cover the cash requirements of the upcoming proposed FY 2021-22 Solid Waste Fund's budget.

Other Fee Considerations: Metro assesses the regional system fee and excise tax on waste at the time of disposal and generally assesses those fees and taxes under a three-tiered structure of full rate, reduced rate (often assessed on cleanup material), and exempt (often for recovered, recycled and/or diverted materials).

Metro Code Section 5.02.070(b) states that the Chief Operating Officer must provide the Metro Council with an annual report indicating the amount of solid waste recycled or disposed under special exemption permits and the total regional system revenue that was not collected during the fiscal year because of those special exemptions. A summary showing the total amount of Metro area waste that was subject to Metro's reduced rate or exempt from fees and taxes during FY 2018-19 is provided in **Attachment 1**.

Independent Solid Waste Fee Review and Staff response: Each year Metro employs a consultant to do an independent review of provisional solid waste fees. The consultant FCS Group has a three-year contract and reviews the Solid Waste Rate Model and provisional fees. This review includes a letter with their findings and recommendations during this review. The current letter provided the following recommendation in their report dated December 9, 2020 and the full letter is provided as **Attachment 2**.

Findings in the letter are as follows:

Finding 1:

Metro's tonnage forecast is key to the analysis and affects revenue and expense levels. Due to COVID-19, the FY 2021-2022 tonnage forecast assumes a drop off from prior year levels, but recovers in the subsequent years. Future year growth is lower in comparison to the prior year's rate setting assumptions. With the change to the tonnage forecast the operating budget no longer assumes a cost reduction as was anticipated in the prior fee update. It will be important to monitor tonnage and expense projections closely as more information becomes available on the actual impacts of COVID-19 on tonnage and Metro's financial performance.

Staff Response: Staff agrees and has implemented a quarterly tonnage forecast process to continue to monitor and right size the current economic situation. In addition, the Department (along with the rest of the Agency) is doing monthly forecasting to mitigate the financial risks from the pandemic.

Finding 2:

The results of the cost of service analysis indicate that cost differences are present between existing fees and cost-based allocation. It should be noted that, typically, if the results of each individual service is within plus (+) or minus (-) 5.00 percent of the overall system average, they are generally considered to be within cost of service. This range of reasonableness is given since although there is an industry accepted methodology, the specific classification and allocation of expenses reflect cost and waste characteristics at a given point in time. With time, waste patterns, composition and facility requirements change resulting in changes to cost of service. The flexibility to work within the range of reasonableness can minimize annual peaks and valleys and help maintain stable charges from year to year.

Staff Response: Staff agrees and will use a new Solid Waste Rate Toolkit in long-term planning that will allow future costs to spread out over years. In addition, it is the focus of the Department upon financial stability in the region to build a more robust rate stabilization reserve to do predictable incremental increases to sustain the peaks and valleys of tonnage in the region when economic conditions shift.

BACKGROUND

Garbage and recycling collection is a basic service, similar to utilities like electricity, sewer and water. The system of garbage collection was created as a "sanitation" system to keep communities clean and people healthy. Metro operates two transfer stations – one in Oregon City and one in Northwest Portland – that play a fundamental role in this system. There are also six private transfer stations of various sizes around greater Portland. Collectively, the transfer stations handle all the garbage generated in greater Portland.

People and businesses around greater Portland rely on Metro to get their trash to the right place. About 40% of all the garbage haulers collect from homes and businesses around greater Portland ends up at a Metro transfer station before it's transported to a landfill for disposal. Metro transfer stations also provide the most comprehensive and least expensive drop-off services in greater Portland, taking old appliances, remodeling leftovers and more from hundreds of thousands of customers each year. Metro recycles as much of the materials as possible, and Metro South recently started taking Styrofoam to help fill this regional recycling need. Metro also operates the only two facilities in greater Portland that take hazardous products like paint and pesticides, with some 55,000 visits last year.

The fees that customers pay at Metro transfer stations cover operating costs, such as wages, equipment, improvements, green fuel, and practices that protect the safety of our workers and our customers. Fees also cover the costs of recycling, transport and disposal of the garbage brought to the facilities.

The regional system fee, which this resolution would increase, is collected on garbage at all disposal facilities in greater Portland and pays for regional services that people and businesses rely on. These services include Metro's RID program, which cleans up hundreds of tons of garbage dumped on public property every year; education and technical assistance programs to improve recycling and reduce the use of toxic products at homes and businesses; and oversight of private garbage and recycling facilities to ensure they manage waste in a way that minimizes impacts on local communities.

ATTACHMENTS

- 1** - Annual Credit & Exemptions Report
- 2** - Independent Review Letter
- 3** - Disposal and Processing Charges at Metro Transfer Stations

Tons of Metro area waste subject to Metro's reduced rate or exempt from fees and taxes at a disposal site

July 1, 2018 - June 30, 2019

Fiscal Year 2019

Reduced rate waste (cleanup material)		Tons
Type:		
Petroleum Contaminated Soil		163,903
Other		31,600
	total	<u>195,503</u>

Exempt waste		Tons
Generator:		
Environmentally Conscious Recycling		29
Columbia Steel Casting Co Inc		2,187
Evrz NA		1,599
Greenway Recycling		10,167
Hickey Marine		14,624
Kleen Industrial Services		27
RA Roth / NW Shingle		8,307
RB Recycling		12,302
Rivergate Scrap Metals		43,713
Schnitzer Steel		88,158
Siltronics Corp		302
Tire Disposal and Recycling		2,050
Tualatin Valley Waste Recovery		7,344
Willamette Resources Inc		4,057
	total	<u>194,866</u>

Special Exemption Permits		Tons
Generator:		
Oregon Department of Agriculture		3,828
(yard debris from beetle quarantined area - Wash Co) *	total	<u>3,828</u>

* No lost revenue as material would have normally been composted



December 9, 2020

Metro
600 NE Grand Avenue
Portland, OR 97232-2736

Subject: Review of FY 2021-2022 Solid Waste Disposal Fees

Dear Ms. Madrigal, Chief Operating Officer

In December 2020, Metro engaged FCS GROUP to provide an independent review of the methodology for calculating proposed solid waste disposal fees for Fiscal Year (FY) 2021-2022. In response to this request we have reviewed Metro's updated Excel Rate Model and associated fees for accuracy, adequacy, reasonableness and compliance with industry standards. This review is in accordance with *Metro Code – Title V Solid Waste Section 5.03.070 “Independent Review of Fee Setting Process; Written Report”*.

In light of the coronavirus disease of 2019 (COVID19), Metro's Council directed staff to defer any rate action planned for mid-year FY 2020-2021. The updated analysis incorporated changes to assumptions regarding tonnage, revenues and costs. This review focused on the overall methodology and resulting fees for compliance with industry standards and best practices for FY 2021-2022. The review did not validate the accuracy of source documents or formulae and structure utilized in the Excel Rate Model.

The FY 2021-2022 findings and comments are summarizing below:

- The methodology utilized in the fee setting process follows industry standards and best practices. The overall analysis is structured around three (3) fee setting components, or steps:
 1. *Revenue requirement*: evaluates the overall revenue needs of the utility on a self-supporting basis, considering operating and maintenance expenditures, capital/equipment funding needs, debt requirements and fiscal policies.
 2. *Cost of service*: equitably distributes costs to services based on their proportional demand and use of the system.
 3. *Rate / fee design*: includes the development of fees that generate sufficient revenue to support the revenue requirement and address Metro's policy goals and objectives.
- The recommended overall fee strategy (step 1, revenue requirement) for FY 2021-2022 projects revenues after increase is slightly below the estimated revenue needs. The shortfall is met by drawing on available cash reserves which are sufficient to meet the shortfall and established reserve target balances. The benefit of projecting the revenue requirement beyond the immediate test year period is the ability to level out fee impacts over time. The Excel Rate Model does project the revenues after increase for subsequent years to meet the estimated revenue needs, assuming the proposed fees are implemented.
 - » Metro's tonnage forecast is key to the analysis and affects revenue and expense levels. Due to COVID-19, the FY 2021-2022 tonnage forecast assumes a drop off from prior year levels,

December 2020

Metro

Review of FY 2021-2022 Solid Waste Disposal Fees

FCS GROUP Memorandum

but recovers in the subsequent years. Future year growth is lower in comparison to the prior year's rate setting assumptions. With the change to the tonnage forecast the operating budget no longer assumes a cost reduction as was anticipated in the prior fee update. It will be important to monitor tonnage and expense projections closely as more information becomes available on the actual impacts of COVID-19 on tonnage and Metro's financial performance.

- The cost allocation (step 2, cost of service) utilized in developing service level charges appears technically sound and consistent with that deemed acceptable by industry standards. Costs appear to be allocated with cost causation principles, mimicking the nature of how they are incurred. Primary allocation occurs based on actual time spent by employees within each service level, contractual costs associated with each service level or a direct assignment of costs to a specific service level.
 - » The results of the cost of service analysis indicate that cost differences are present between existing fees and cost-based allocation. It should be noted that, typically, if the results of each individual service is within plus (+) or minus (-) 5.00 percent of the overall system average, they are generally considered to be within cost of service. This range of reasonableness is given since although there is an industry accepted methodology, the specific classification and allocation of expenses reflect cost and waste characteristics at a given point in time. With time, waste patterns, composition and facility requirements change resulting in changes to cost of service. The flexibility to work within the range of reasonableness can minimize annual peaks and valleys and help maintain stable charges from year to year.
- The proposed fees (step 3, rate / fee design) phase-in cost of service results over a 5-year period. Staffed and automated fees are phased-in to within 11.00 percent of their cost of service level. Mixed solid waste tipping fees and residential organics are set to recover allocated costs over the phase-in period. Fees impacted by decreases in contracted changes, are held constant and "grow" towards their allocated cost-based levels. The commercial organics fee is held below allocated costs, to support programmatic goals for this waste area.

We appreciate the opportunity to work with Metro on this project. Please do not hesitate to contact me if you have any questions regarding this letter or if additional information is needed.

Sincerely,

FCS GROUP



Sergey Tarasov

Senior Project Manager

cc: Financial Planning Director Cinnamon Williams, Chief Financial Officer Brian Kennedy, and Councilors Peterson, Craddick, Lewis, Dirksen, Gonzalez, Chase and Stacey

Disposal and Processing Charges at Metro Transfer Stations

Effective July 1, 2021

Disposal and processing charges at Metro transfer stations are composed of two parts: a fixed charge ("transaction fee") for each use of the transfer station, and a variable charge ("tip fee") for each ton of waste delivered for disposal or processing.

The transaction and tip fees on this sheet are the rates at Metro transfer stations only. Other solid waste facilities may have different rate structures and/or charge different rates.

Description	Mixed Solid Waste (refuse)	Clean Wood	Yard Debris	Residential Organics	Commercial Organics
Transaction Fee					
<i>Covers transaction costs and scalehouse operation.</i>					
Staffed Scalehouse (South)	\$ 14.75	\$ 14.75	\$ 14.75	\$ 14.75	\$ 14.75
Staffed Scalehouse (Central)	\$ 14.75	\$ 14.75	\$ 14.75	\$ 14.75	\$ 14.75
Automated Scalehouse	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.75
Tip Fee					
Total Tip Fee	\$ 113.82	\$ 65.23	\$ 56.00	\$ 77.99	\$ 66.23
Tip Fee Components:					
Tonnage Charge	\$ 72.81	\$ 64.23	\$ 55.00	\$ 76.99	\$ 65.23
<i>Covers the cost of Metro's disposal and recovery operations.</i>					
Fees and Taxes					
<i>Add-on and pass-through charges.</i>					
Regional System Fee	\$ 25.65	\$ -	\$ -	\$ -	\$ -
<i>Covers costs of regional solid waste programs and services</i>					
** Metro Excise Tax	\$ 12.47	\$ -	\$ -	\$ -	\$ -
<i>Contributes toward Metro general government revenue</i>					
DEQ Fees	\$ 1.89	\$ -	\$ -	\$ -	\$ -
<i>Fees collected on behalf of DEQ.</i>					
Enhancement Fee	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
<i>Fee collected on behalf of host communities.</i>					
Minimum Charge (South)	\$ 35.00	\$ 26.00	\$ 25.00	\$ 29.00	\$ 27.00
Minimum Charge (Central)	\$ 35.00	\$ 26.00	\$ 25.00	\$ 29.00	\$ 27.00
<i>For users of staffed scales with loads of 360 pounds or less</i>					

Explanation and Notes on the Table

Transaction Fees: Users of staffed scales pay the higher fee; users of automated scales pay the lower fee.

Disposal and recovery operations: Include transfer station operations, recovery, oversight, management, maintenance, and capital costs; and the cost of transport, organics processing, and waste disposal.

Regional programs and services: Revenue from the Regional System Fee is dedicated to Metro's regional solid waste programs and services: household hazardous waste, latex paint recovery, waste reduction planning and programs (including waste reduction education), St. Johns Landfill post-closure activities, solid waste facility regulation, and illegal dumpsite monitoring and cleanup. The Regional System Fee is charged on solid waste generated in the region and ultimately disposed. The fee is collected at all landfills and mass burners serving the region and at the Metro stations. Revenue from this fee does not cover any of Metro's direct cost for disposal and processing.

Metro general government: The excise tax is a source of revenue for Metro's general government activities including the Metro Council. Excise taxes are levied on Metro's Solid Waste Disposal and Metro Paint Product Sales. As with the Regional System Fee, the solid waste excise tax is charged on solid waste generated in the region and ultimately disposed. It is collected at the same disposal sites as the Regional System Fee.

**** Metro Excise Tax is at the 7/1/20 effective amount and has not been updated for a 7/1/21 effective date. Data is not available at 12/17/20.**