

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF ADOPTING SOLID	)	RESOLUTION NO. 23-5320
WASTE FEES AT THE METRO TRANSFER	)	
STATIONS AND THE REGIONAL SYSTEM	)	Introduced by Chief Operating Officer
FEE FOR FY 2023-24	)	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 resolution.
- Section 2. Effective Date. This resolution shall become effective on July 1, 2023.
- 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 11th day of May 2023.

APPROVED AS TO FORM:

*Carrie MacLaren*  
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 Carrie MacLaren, Metro Attorney

  
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 Lynn Peterson, Council President

**Exhibit "A" to Resolution No. 23-5320****SCHEDULE OF SOLID WASTE FEES**

Effective July 1, 2023

## Fees at Metro Central Station and Metro South Station

Tonnage Fees by waste class

In accordance with Metro Code Chapter 5.03, Metro will assess the following fee for each ton of solid waste received at a Metro transfer station.

(1) Mixed solid waste .....	\$ 89.72
(2) Clean Wood .....	74.93
(3) Yard Debris.....	55.00
(4) Residentially generated organic waste.....	86.15
(5) Commercially generated organic waste.....	75.38

Transaction Fees by transaction class

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

(1) For users of staffed scales.....	\$ 24.00
(2) For users of automated scales.....	6.75

Minimum Fees

In accordance with Metro Code Chapter 5.03, Metro will assess a minimum tonnage fee for loads of 240 pounds or less, as follows:

(1) Mixed solid waste .....	\$ 40.00
(2) Clean Wood .....	33.00
(3) Yard Debris.....	31.00
(4) Residentially generated organic waste.....	34.00
(5) Commercially generated organic waste.....	33.00

## 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 wastes.....	31.41

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. 23-5320 FOR THE PURPOSE OF ADOPTING SOLID WASTE FEES AT THE METRO TRANSFER STATIONS AND THE REGIONAL SYSTEM FEE FOR FY 2023-24.**

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Date: April 13, 2023  
Department: FRS  
Meeting Date: April 27, 2023

Prepared by: Cinnamon Williams  
Presenters: Brian Kennedy and Cinnamon Williams  
Length: 30 Minutes

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#### **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, 2023.

#### **ACTION REQUESTED**

Council adoption of Resolution 23-5320

#### **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, 2023;
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 2021-22.

#### **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 to cover the costs of service of Metro station operations and the regional waste system?

#### **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 to keep spending in line with expected revenue collected.

#### **STAFF RECOMMENDATIONS**

The Chief Operating Officer recommends adoption of Resolution 23-5320

## **STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION**

April 11, 2023, the Chief Operating Officer and the Chief Financial Officer presented to the Metro Council policy choices and fee scenarios for adopting fees for FY 2023-24. In that meeting Council direct staff to continue the approach of fee predictability. This approach is to keep the increase to the overall tip fee within the 8% ceiling, which created a mixed solid waste tip fee of \$133.81. This is 8.3% increase from FY 2022-23. This increase also includes the Metro excise tax increase of .48 cents, which is not a part of the fee development. If the excise tax was flat, the overall tip fee would be 8% increase from the prior year, which is within the ceiling guidance provided by Council.

Staff presented the Council with three scenarios: Full Cost of Service (COS), status quo, 8% Ceiling, and freezing the Regional System Fee. While all four have their pros/cons and cover the needs of the WPES department and the Region's solid waste system, Council requested that staff move forward with keeping the promises made in the prior year and go with the 8% ceiling approach.

In summary, the overall tip fee increase is 8.4% and the minimum load from 300 to 240 pounds to create a fee of \$40. This is still higher than the average minimum load, which is approximately 205 pounds.

*Independent Solid Waste Fee Review and Staff response:* As required by Metro Code Chapter 5.03.070, staff has had the Solid Waste Fees reviewed by an independent reviewer. Metro employs consultant FCS Group who reviews the Solid Waste Rate Model and provisional fees. This review includes a letter with their findings and recommendations during this review. The current review letter is provided as **Attachment 3** and staff's response is **Attachment 4**.

*Clean-up Material and Special Exemptions:* 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 2021-22 is provided in **Attachment 1**.

Known Opposition: A solid waste industry representative has previously indicated opposition to the single disposal fee that Metro charges for solid waste received at its transfer stations. Additionally, some local government partners have also expressed concerns about increasing disposal fees.

Legal Antecedent: The process for setting Metro's solid waste fees and taxes are set forth in Metro Code Chapters 5.02, 5.03, 5.06 and 7.01. Metro reviews its solid waste fees annually. The proposed FY 2022-23 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.

## Attachment 1, Annual Credit and Exemptions Report

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

July 1, 2021 - June 30, 2022

**Fiscal Year 2022**

<b>Reduced rate waste (cleanup material)</b>		<b>Tons</b>
<b>Type:</b>		
Petroleum Contaminated Soil		214,979
Other		28,564
	total	<u><u>243,543</u></u>

<b>Exempt waste</b>		<b>Tons</b>
<b>Generator:</b>		
Columbia Steel Casting Co Inc		6,571
Evrz NA		1,424
Greenway Recycling		12,687
Metro Paint		794
Metro South		19
RA Roth / NW Shingle		0
RB Recycling		2,351
Rivergate Scrap Metals		13,390
Schnitzer Steel		135,139
Siltronics Corp		460
Synagro Technologies		1,148
Tire Disposal and Recycling		1,185
Tualatin Valley Waste Recovery		10,431
Willamette Resources Inc		1,426
	total	<u><u>187,027</u></u>

<b>Special Exemption Permits</b>		<b>Tons</b>
<b>Generator:</b>		
Oregon Department of Agriculture		2,744
(yard debris from beetle quarantined area - Wash Co) *	total	<u><u>2,744</u></u>

\* No lost revenue as material would have normally been composted

## **Fee Setting Criteria April 2023**

**Rationale:** During the process of fee development, staff relies on Metro's legal authority as determined by Metro Code and Oregon Revised Statute, as well as policy adopted by the Metro Council and other informal guidance. In addition, the solid waste fee setting process is guided by core set of criteria used to ensure effective management of the regional solid waste system.

**Action:** Solid waste fee and rate setting guidance recommends that fee and rate setting policy be periodically reviewed. The fee setting principles were last updated in 2018 (see attachment A). Given both the timing and the adoption of the 2030 Regional Waste Plan, it is timely to conduct a review of the criteria. By adopting fees and the fee setting criteria, Council has reviewed the below fee setting criteria that is to be used during fee development.

### **Fiscal Responsibility**

- A. Credit Rating Impacts: The fee structure should not negatively impact Metro's credit rating.
- B. Authority to Implement: Metro should ensure that it has the legal ability to implement the fee structure; or, if such authority is not already held, evaluate the relative difficulty of obtaining the authority. And, fees should be readily enforceable.
- C. Revenue Adequacy: Fees should be sufficient to generate revenues that fund the costs of the solid waste system and provide fund balance reserves that are necessary for fee stabilization, policy compliance, and unexpected disruptions.

### **Accountability**

- A. Reliability. Anticipated revenues used in the fee setting process should be considered stable and unlikely to deviate from financial plan expectations.
- B. Predictability: Metro fee adjustments should be predictable and orderly to allow local governments, haulers, and rate payers to perform effective planning.
- C. Transparency: Metro fee should be a reflect policy decisions in the fee setting process and structure and have the visibility into the decision-making process (how decisions are being made).

### **Public Benefit**

- A. Administration: Fee setting should evaluate the relative cost and benefits of administering the fees with financial and policy goals.

- B. Service Provision: Charges to users of the waste disposal system should be directly related to disposal services received. Fee impacts to residents of the Metro service district who may not be direct users of the disposal system should be related to other benefits received.
  
- C. Affordability. Fee setting should consider the economic effects and distribution of benefits on the various types of users in the Solid Waste System, including the cost of living on residential waste generators and the cost of doing business on non-residential generators, as well as the economic effect on others in the region.
  
- D. Consistency: Solid waste fee setting should be consistent with Metro's agency-wide planning policies and objectives, including but not limited to the Regional Waste Plan.
  
- E. Waste Reduction: The rate structure should encourage waste reduction, reuse, and recycling.



April 21, 2023

Metro

600 NE Grand Avenue  
Portland, OR 97232-2736

Subject: Review of Fiscal Year 2023-2024 Solid Waste Disposal Fees

Dear Ms. Madrigal, Chief Operating Officer,

Metro engaged FCS GROUP to provide an independent review of the methodology for calculating proposed solid waste disposal fees for Fiscal Year (FY) 2023-2024. In response to this request, we have reviewed Metro's updated Excel Fee Model (Model) and associated fees for accuracy, adequacy, reasonableness and compliance with industry practices. This review is in accordance with *Metro Code – Title V Solid Waste Section 5.03.070 “Independent Review of Fee Setting Process; Written Report”*.

This review focused on the overall methodology and resulting fees for compliance with industry practices for FY 2023-2024. The review did not validate the accuracy of source documents or formulae and structure utilized in the Model.

The FY 2023-2024 findings and comments are summarizing below:

- The methodology utilized in the fee setting process follows best practices in the industry. 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 2023-2024 projects revenues after increase to be below annual operating obligations, requiring the use of \$600,000 in reserves. When evaluating reserve levels, it is important to recognize that the value of reserves lies in their potential use. A reserve strategy that deliberately avoids any use of reserves negates their purpose. Fluctuation of reserve levels may indicate that the system is working, while lack of variation over many years may suggest that the reserves are, in fact, unnecessary. The benefit of projecting revenue requirements beyond the immediate test year period is the ability to level out impacts over time, if necessary. The Model does project the revenues after increase for subsequent years to meet the estimated revenue needs, assuming the proposed fees are implemented.
  - » The operating and maintenance (O&M) expense projection for this year's Model update does include a budget realization factor of approximately 95 percent. The budget realization factor reduces the overall budget, not including cost allocation plan expenditures, down to 95.0



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percent of the total. This practice is common in the rate setting industry and is often utilized if a utility has historically expended less than planned or if the utility anticipates the test year to be below budget due to factors identified after the budget has been adopted. The budget realization factor reduces the overall operating budget by approximately \$6.0 million for the FY 2023-2024 test year. Metro should continue to closely monitor actual annual expenditures compared to the figures used in the current rate strategy and adjust if necessary.

- 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 practices. 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.
  - » For this year's update, Metro has expanded the O&M expense line-item budget used in the Model. The greater detail allows Metro to hone in on individual expenses, which may have been grouped within larger summary level categories. The expanded approach may increase the granularity of cost allocation but may require additional time for tracking and future updates. Overall, this adjustment did not have a material impact on the cost allocation results.
  - » Another change that has occurred with this year's update is the allocation of the Operating and Personnel cost components of the Central and South Transfer Station contracts. In prior studies, these cost elements were allocated based on the working floor area for each transfer station and the associated service. The updated allocation distributes these costs based on FTEs assigned to each service within the transfer station. While this is a change from prior studies, this modification has been made to more closely align with the actual expenses incurred. The results of this change shifts cost recovery towards scalehouse operations and impacts the cost-based transaction fee.
  - » The results of the cost-of-service analysis indicate that cost differences are present between existing fees and the cost-based allocation. It should be noted that, typically, if the result of each individual service is within plus (+) or minus (-) 5.0 to 10.0 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 fees 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, mixed solid waste, clean wood and residential organics are phased-in to within 4.0 percent of their cost-of-service level, with the majority projected to be within 1.0 percent. By the end of the 5-year period, commercial organics are projected to be within 7.0 percent of their cost of service, which falls in line with the 10.0 percent range of reasonableness discussed above. The yard waste fee is held below allocated costs, to support programmatic goals for this waste area.
  - » The proposed rate design, when reconciled with projected billing units, does project a lower revenue generation in comparison to the total revenue requirement targets identified in step 1, revenue requirement. The deficiency ranges from \$2.0 million in FY 2023-2024 down to

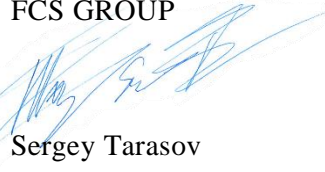
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\$113,000 in FY 2027-2028. While the rate design does generate less revenues, effectively lowering the overall rate increases identified in step 1, Metro's existing fund balances are projected to be sufficient to cover the deficiency.

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  
Principal

cc: Financial Planning Director Cinnamon Williams, Chief Financial Officer Brian Kennedy, and Councilors Peterson, Simpson, Lewis, Rosenthal, Gonzalez, Nolan and Hwang



## FY 2023-24 Solid Waste Disposal and Regional System Fees Staff Response to Independent Review by FCS Group

### **Attachment 4, Review of FY 2023-24 Solid Waste Disposal Fees**

Metro engaged FCS Group to provide an independent review of the methodology for calculating proposed solid waste fees for the fiscal year FY 2023-24. This letter has four bullets. The first bullet outlines the best practices of the industry and the structure to utilize the Rate Model. This structure is three different fee setting components: revenue requirement, cost of service, and rate/fee design. The following three bullets describe those steps, and the sub-bullet down is the review note. Staff will quote each review note and provide a response.

#### **FCS Group – Comment on the Revenue Requirement:**

- » The operating and maintenance (O&M) expense projection for this year's Model update does include a budget realization factor of approximately 95 percent. The budget realization factor reduces the overall budget, not including cost allocation plan expenditures, down to 95.0 percent of the total. This practice is common in the rate setting industry and is often utilized if a utility has historically expended less than planned or if the utility anticipates the test year to be below budget due to factors identified after the budget has been adopted. The budget realization factor reduces the overall operating budget by approximately \$6.0 million for the FY 2023-2024 test year. Metro should continue to closely monitor actual annual expenditures compared to the figures used in the current rate strategy and adjust if necessary.

#### **Staff Response:**

Staff agrees with the comment. Staff reviews financial performance and tonnage activity daily, weekly, monthly, and quarterly. In addition, staff produces quarterly reports that include financial forecasts and will closely monitor WPES budget realization to ensure that projected underspending is on-track.

#### **FCS Group – Comment on the Cost of Service:**

- » For this year's update, Metro has expanded the O&M expense line-item budget used in the Model. The greater detail allows Metro to hone in on individual expenses, which may have been grouped within larger summary level categories. The expanded approach may increase the granularity of cost allocation but may require additional time for tracking and future updates. Overall, this adjustment did not have a material impact on the cost allocation results.



- » Another change that has occurred with this year's update is the allocation of the Operating and Personnel cost components of the Central and South Transfer Station contracts. In prior studies, these cost elements were allocated based on the working floor area for each transfer station and the associated service. The updated allocation distributes these costs based on FTEs assigned to each service within the transfer station. While this is a change from prior studies, this modification has been made to more closely align with the actual expenses incurred. The results of this change shifts cost recovery towards scalehouse operations and impacts the cost-based transaction fee.
- » The results of the cost-of-service analysis indicate that cost differences are present between existing fees and the cost-based allocation. It should be noted that, typically, if the result of each individual service is within plus (+) or minus (–) 5.0 to 10.0 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 fees from year to year.

#### **Staff Response:**

Staff agrees with the three comments. Staff implemented an itemized O&M expense line approach to improve transparency of costs and acknowledges the additional time that it takes to implement appropriate accounting and review over the expenses. For comment two, staff continues to review allocation methods by how costs are incurred and apply these methods to reflect the operation activity of the department.

Comment three addresses the waste streams' volatility and ongoing increases in costs-of-service. Staff agrees with this comment and will close evaluate how to continue provide this service and level of service within the cost implications of the system.

#### **FCS Group – Comment on Rate/Fee Development:**

- » The proposed rate design, when reconciled with projected billing units, does project a lower revenue generation in comparison to the total revenue requirement targets identified in step 1, revenue requirement. The deficiency ranges from \$2.0 million in FY 2023-2024 down to \$113,000 in FY 2027-2028. While the rate design does generate less revenues, effectively lowering the overall rate increases identified in step 1, Metro's existing fund balances are projected to be sufficient to cover the deficiency.

#### **Staff Response:**

Staff agrees with this comment. Staff acknowledges that fees do not cover all budgeted spending and will continue to monitor reserves. Each year, additional analysis will be done to ensure that fund balance reserve policies and best practices are appropriately complied with.