



600 NE Grand Ave.
Portland, OR 97232-2736

Council work session agenda

Thursday, December 16, 2021

10:30 AM

<https://us06web.zoom.us/j/615079992>
(Webinar ID: 615079992) or 253-215-8782

Solid Waste Fee Setting Approach & Policy Discussion

Please note: To limit the spread of COVID-19, Metro Regional Center is now closed to the public.

This meeting will be held electronically. You can join the meeting on your computer or other device by using this link: <https://us06web.zoom.us/j/615079992> (Webinar ID: 615079992) or 253-215-8782.

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1. **Call to Order and Roll Call**
2. **Public Utility Finance Panel Debrief**
3. **Solid Waste Fee Setting Approach and Scenarios**
4. **COO Recommendation and Policy Discussion**
5. **Solid Waste Fee and Budget Development Next Steps**
6. **Adjourn**

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ការគោរពសិទ្ធិពលរដ្ឋរបស់ ។ សំរាប់ព័ត៌មានអំពីកម្មវិធីសិទ្ធិពលរដ្ឋរបស់ Metro ឬដើម្បីទទួលបានកម្មប្រតិបត្តិការរើសអើងសម្រាប់សេចក្តីណែនាំ www.oregonmetro.gov/civilrights។ បើលោកអ្នកត្រូវការអ្នកបកប្រែភាសានៅពេលអង្គប្រជុំសាធារណៈ សូមទូរស័ព្ទមកលេខ 503-797-1700 (ម៉ោង 8 ព្រឹកដល់ម៉ោង 5 ល្ងាច ថ្ងៃធ្វើការ) ប្រាំពីរថ្ងៃ មុនថ្ងៃប្រជុំដើម្បីអាចឲ្យគេសម្រួលតាមសំណើរបស់លោកអ្នក ។

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Materials following this page were distributed at the meeting.



Solid Waste Fee Setting Approach and Policy Discussion



Solid waste fee components and charges

1



**Metro
customers**

- *Transaction charges*
- *Tonnage charges*
- *Minimum load charge*
- *Misc. service fees*

2



**All ratepayers
(disposed tonnage)**

- *Regional system fee*
- *Excise tax*
- *DEQ fees*

3



**All transfer station
(incoming tons)**

- *Enhancement (host) fees*

Solid Waste Fee Setting Approach

Guiding criteria and policy outcomes

Revenue & Reserve requirements

Cost of service analysis

Fee design

Solid Waste Fee Setting Criteria

Values

- Consistency
- Economic Impact & Affordability
- Waste Reduction
- Predictability

Financial Best Practices

- Revenue Adequacy
- Service and Fee Equity
- Implementation & Administration
- Credit Rating Impacts
- Authority to Implement
- Reliability



Revenue & Reserve requirements

Step 1: Identify Revenue & Fund Balance

Reserve Requirements – projecting costs for the various solid waste functions that Metro performs and analysis of policy reserve requirements:

- Disposal Services
- Regional Programs
- Regulation
- 45-Day Operational Cost calculation
- Capital & Maintenance Needs

Cost of service analysis

Step 2: Cost of Service / Allocation of costs

- Metro fee process uses the cost of service approach that distributes costs based on a proportionate share of costs required to provide service.
- Identifying how expenses are allocated to the solid waste system functional areas
 - Disposal & Recovery
 - Regional Programs
 - Compliance
 - Administration

Fee design

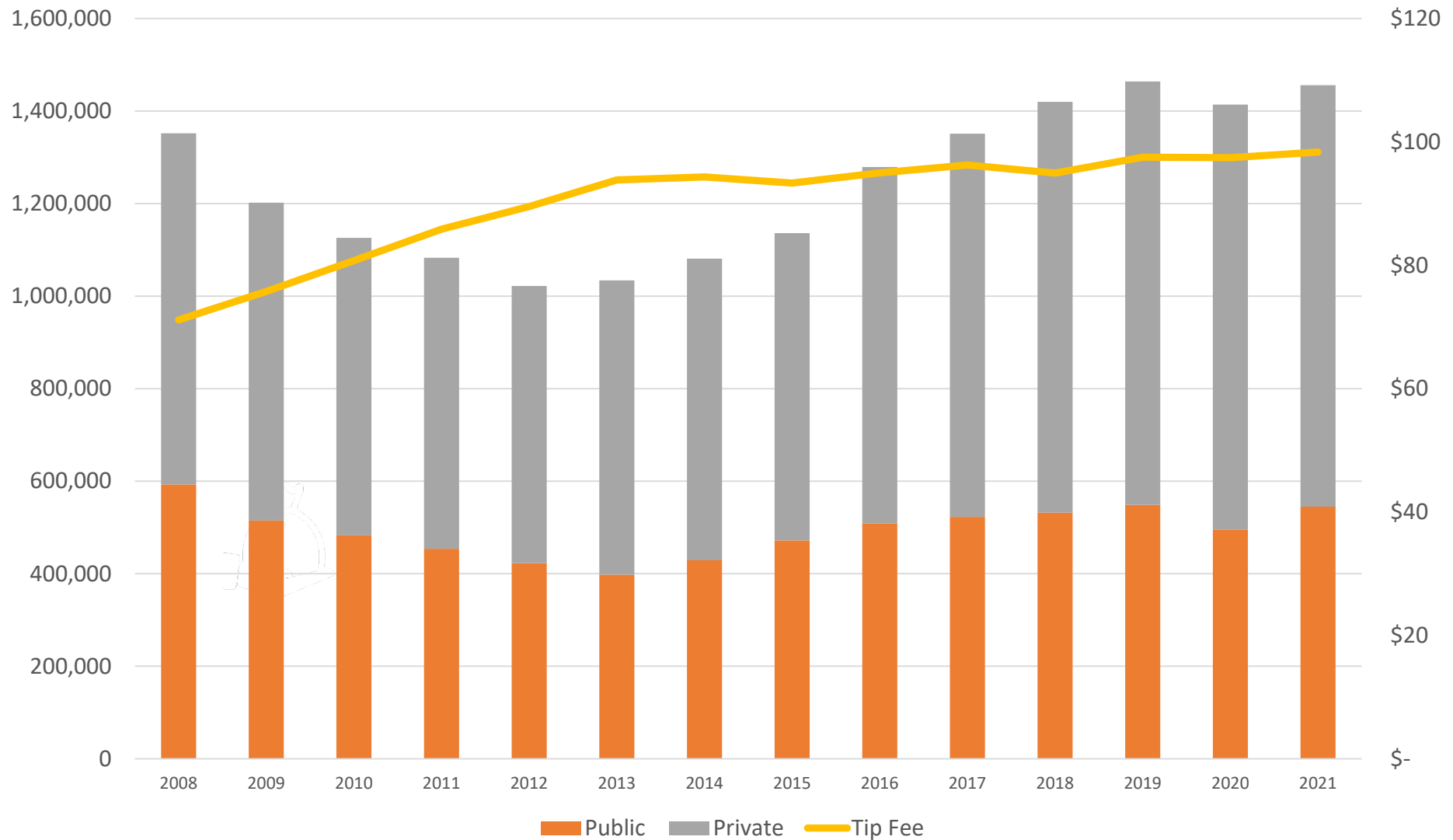
Step 3 – Tonnage / Transaction Forecast Activity

- Staff apply tonnage forecast information to the known cost components to forecast full costs of operations activity and regional metrics to drive cost recovery from the Metro region.

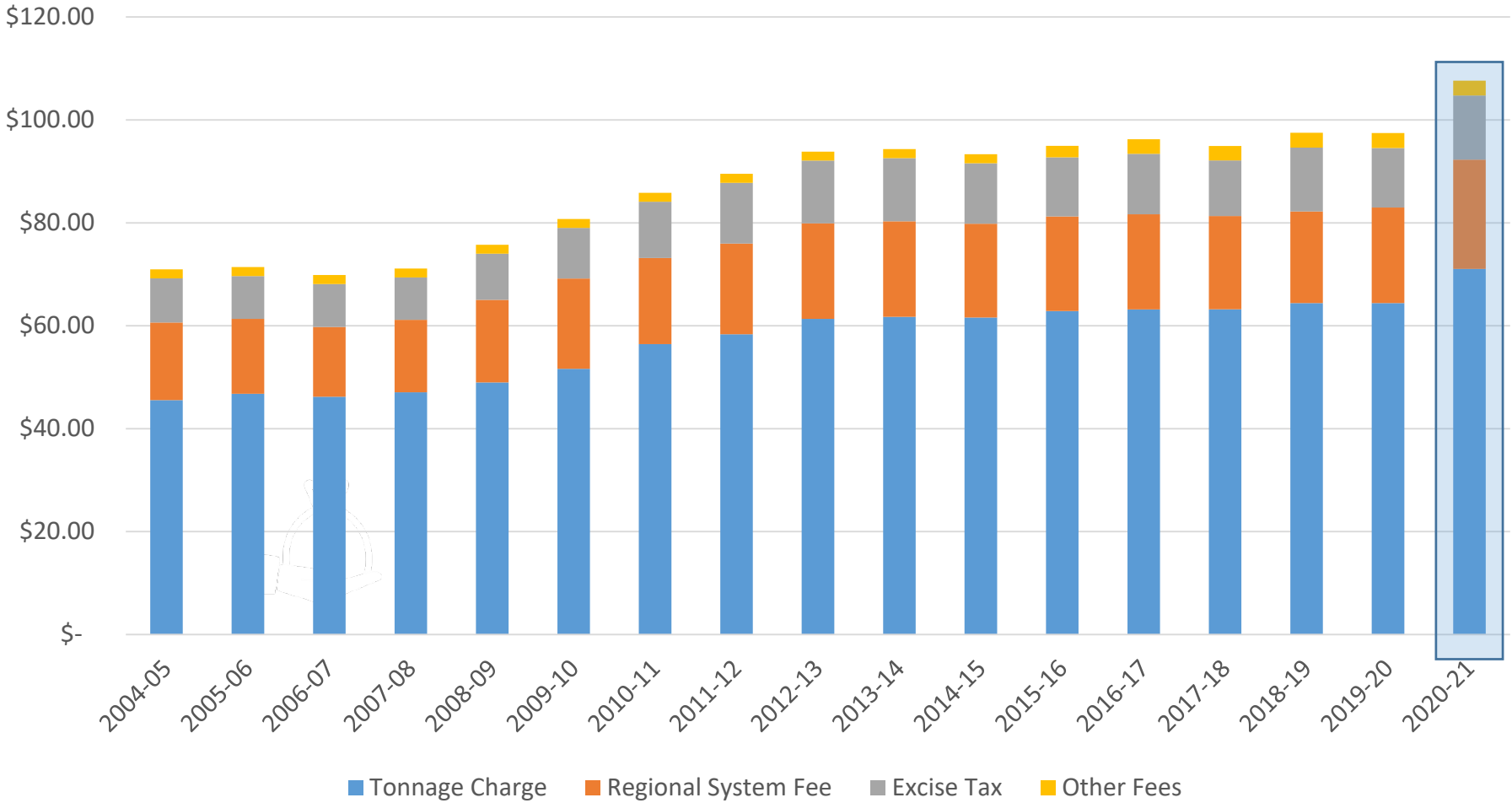
Step 4 – Establish Fees

- Unit costs were calculated for each fee
- Unit costs were analyzed to identify any warranted shifts in cost burden that could improve equity between the fees.

Tonnage history



Metro rate history





Solid Waste Forecast and Program Costs



Solid Waste Forecast Purpose

1 Set Solid Waste Fees



2 Estimate Costs & Revenues



3 Allocate Wet Tonnage



4 Other Planning Functions



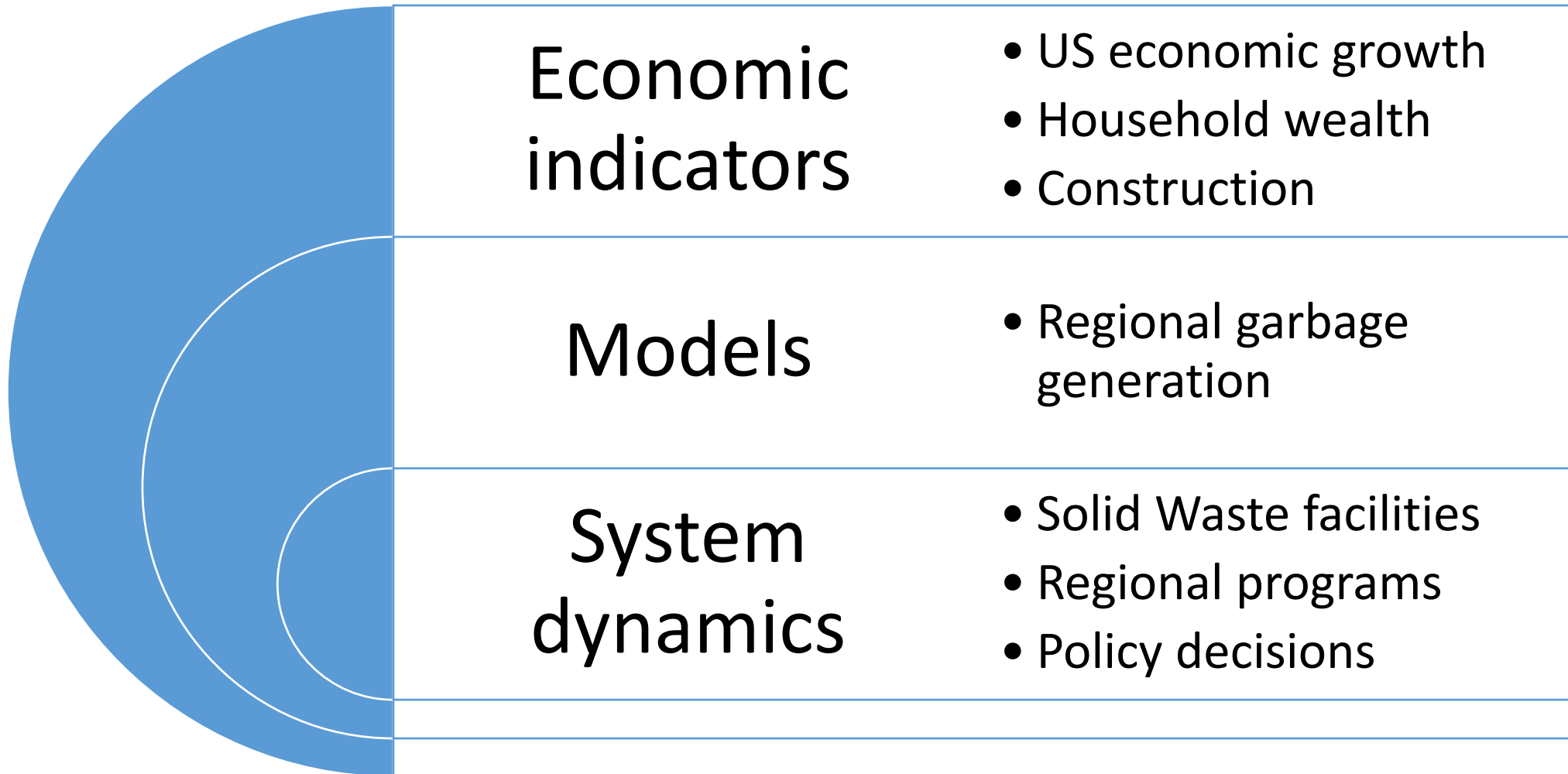
Solid Waste Forecast Purpose

1 Set Solid Waste Fees



- Fees based on costs per ton
- Forecast provides units for fees

Solid Waste Forecast Approach



Solid Waste Forecast: Fall 2021

The forecast is updated quarterly. Fall edition informs fees and allocations for the following year.

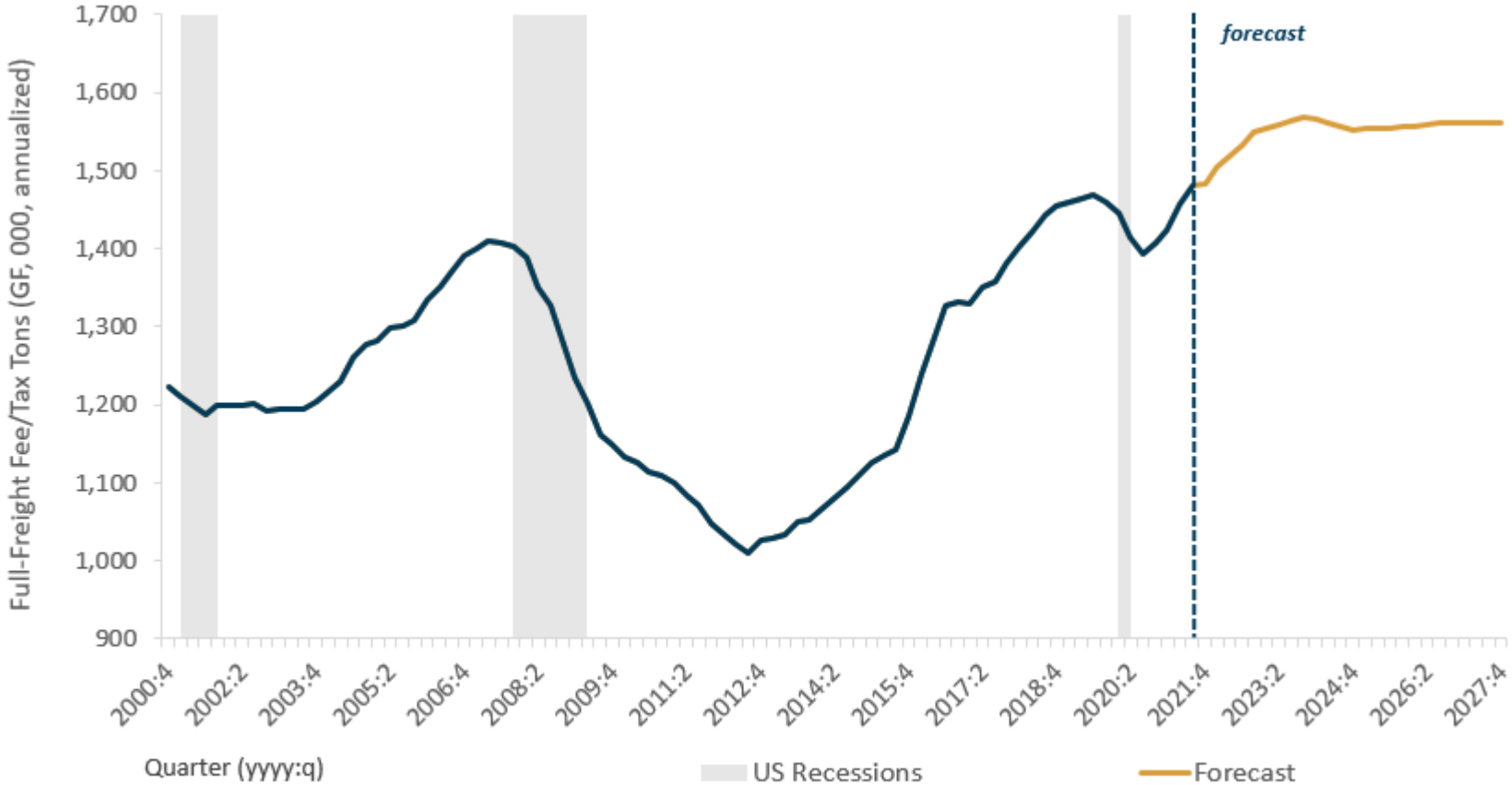
Regional garbage tonnage growth this year has been better than expected a year ago.

Tonnage growth expected through 2023 despite ongoing Covid-19 public health and economic challenges.

After that, changes in the economy, as well as increased food waste diversion from the Business Food Waste Program, are expected to dampen growth.

Solid Waste Forecast

Full-freight tonnage subject to Regional System Fees and Excise Taxes



Source: National Bureau of Economic Research; Metro

WPES role in the system

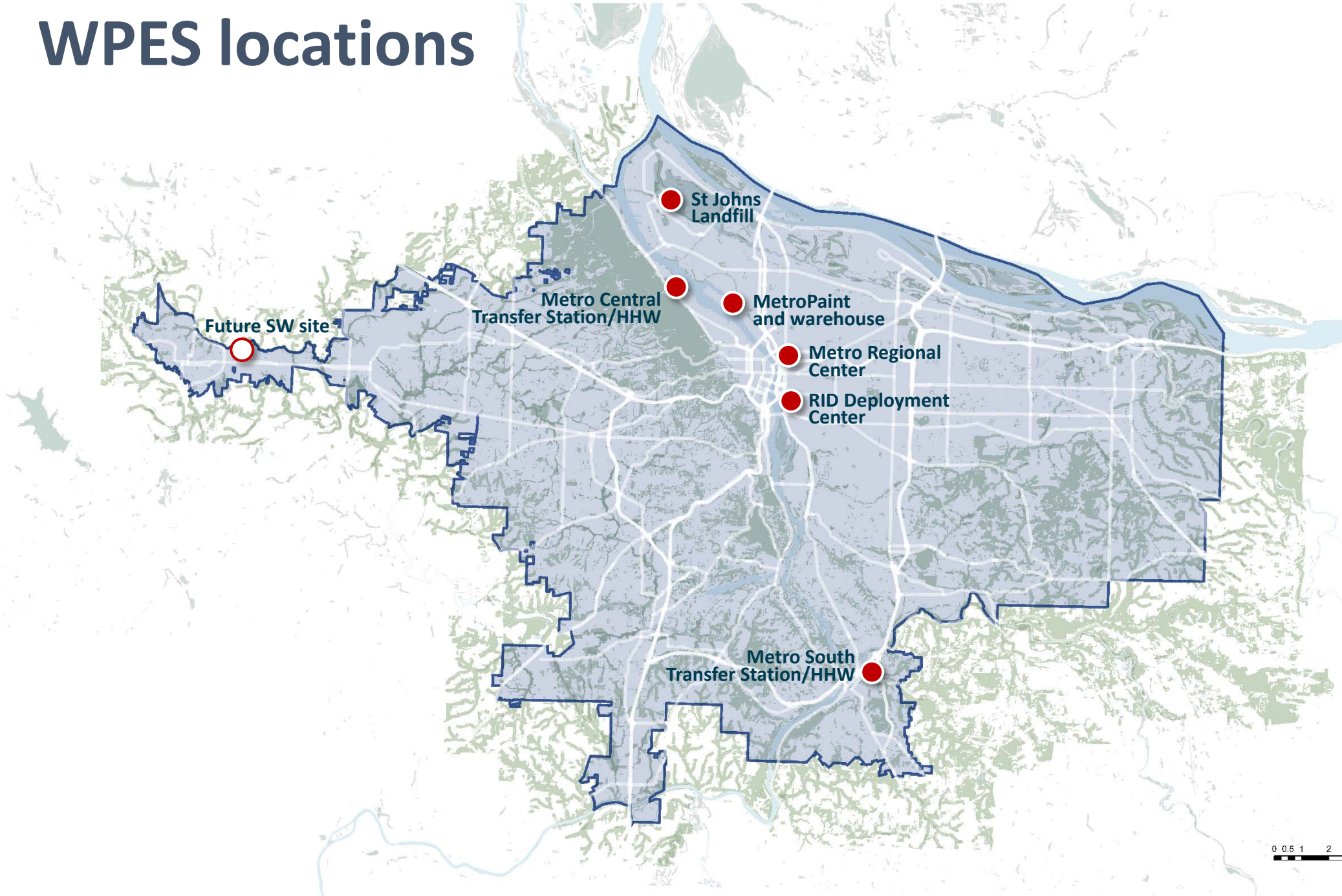
Policy maker
Planner
Operator
Service provider
Regional convener
Regulator
Educator
Investor
Influencer



2030 Regional Waste Plan

Equity, health and
the environment

WPES locations



2019 Snapshot

The system

- 1.3 million tons of garbage moved from the region to landfills; 1.1 million tons of material recycled or recovered

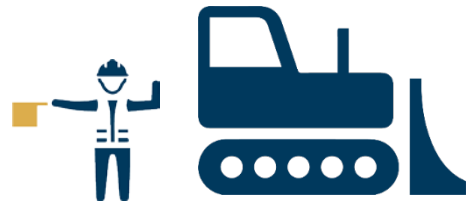
Metro facilities

- 510,000 tons of garbage moved through Metro facilities
- 410,000 customers used Metro transfer stations
- 53,000 customers brought 400,000 lbs. of HW to HHW sites & events

Metro programs and services

- 4,400 dump sites cleaned up (16 clean ups per day)
- 17,000 sharps collected
- 199,000 gallons of recycled paint sold
- 69,000 people reached directly through classroom education or training events
- 222,000 calls or web hits through RIC

What do the FY22 solid waste fees cover?



PUBLIC OPERATIONS

staff & major contracts

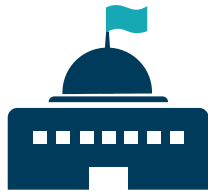
\$51M



REGIONAL PROGRAMS

Programs, grants, partnerships & projects

\$37M



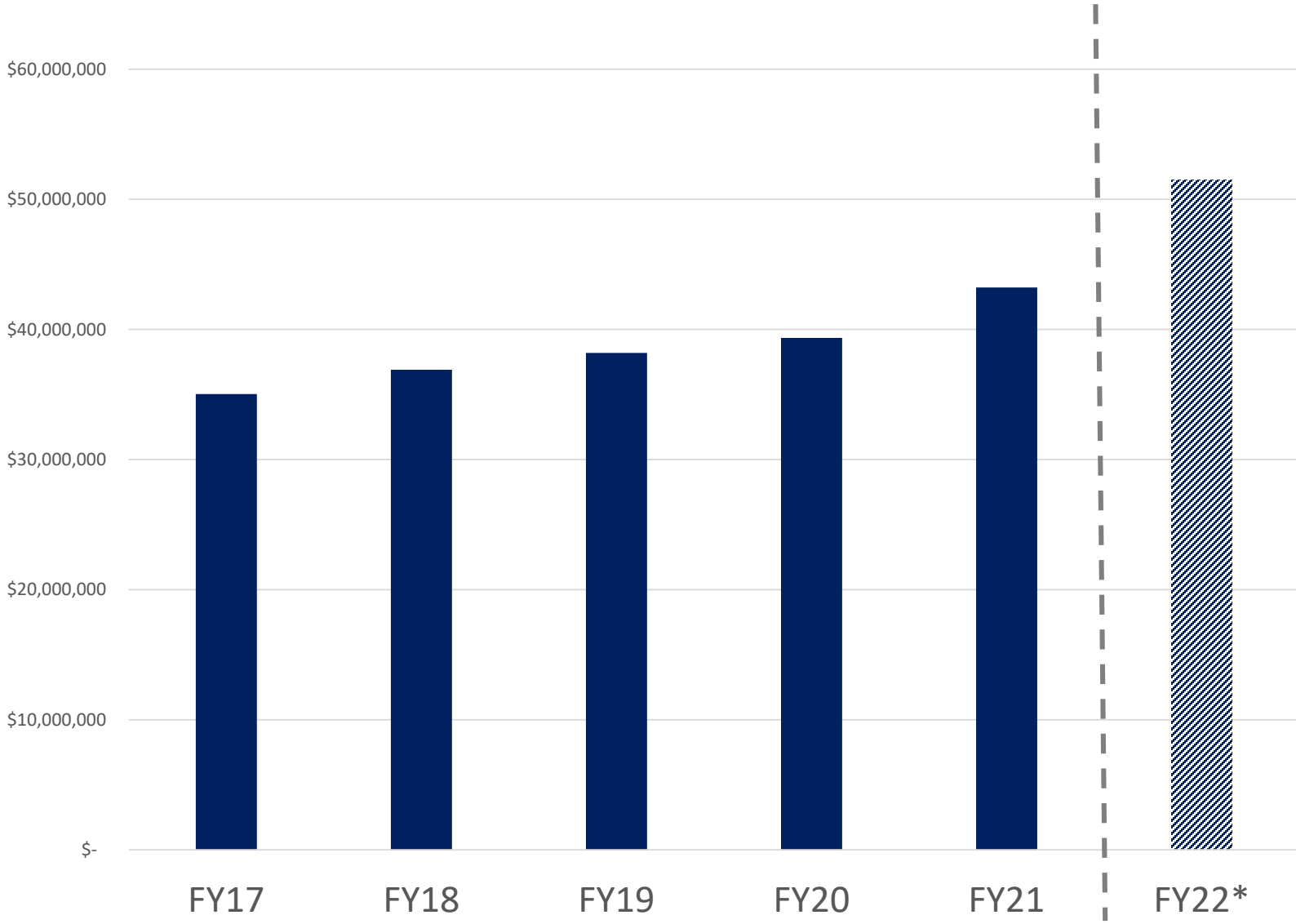
GENERAL GOVERNMENT

excise tax

\$20M

TOTAL \$108M

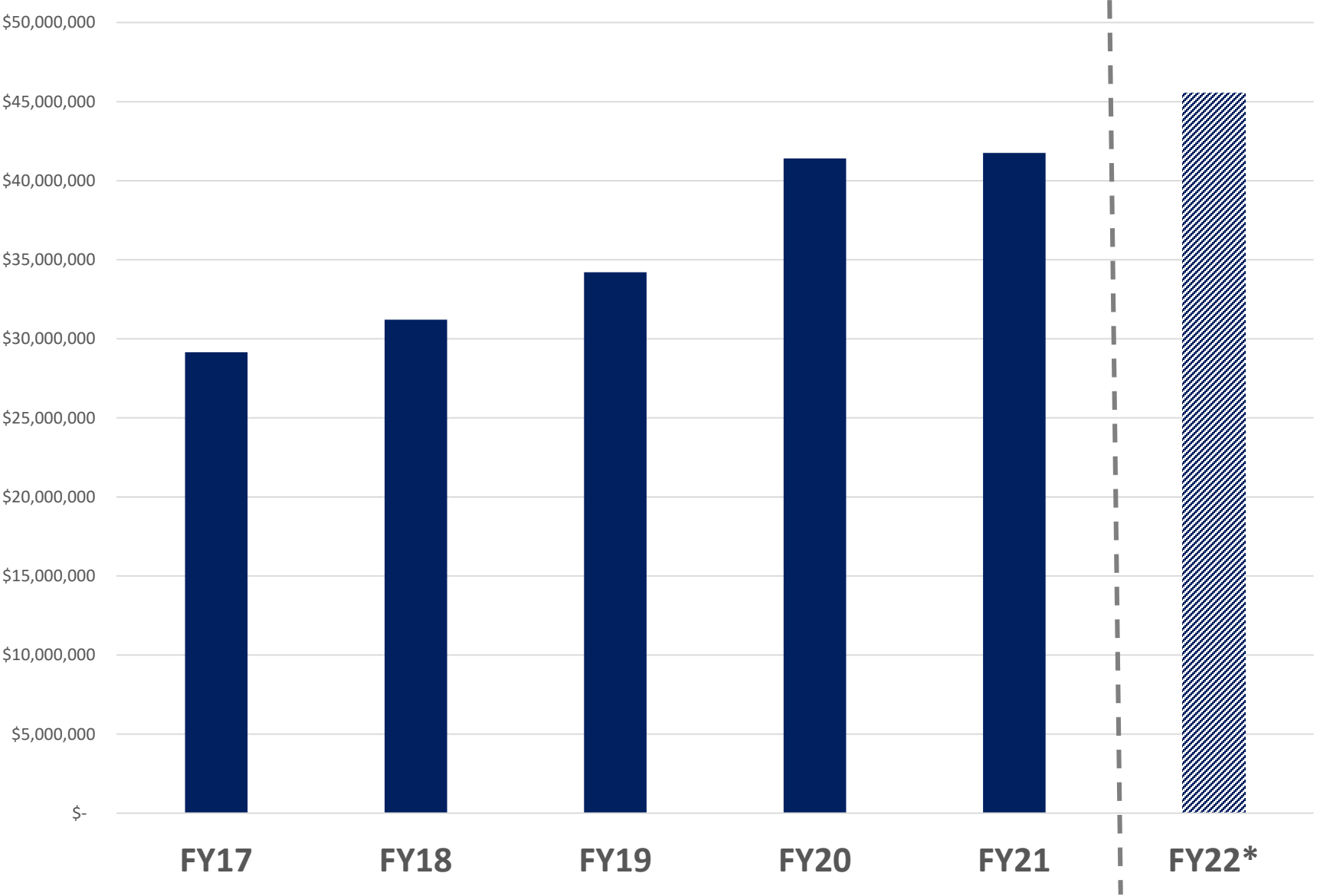
Public Operations Budget



Significant changes:

- Fuel/Green Fuel
- Improved wages
- Contract cost increases
- New less-polluting equipment
- Safety/traffic staff

Regional Program Budget



Significant changes:

- Expansion of the RID Program
- Expansion of community cleanup programs/grants
- Investment & Innovation Grant Program
- Metro Paint staffing

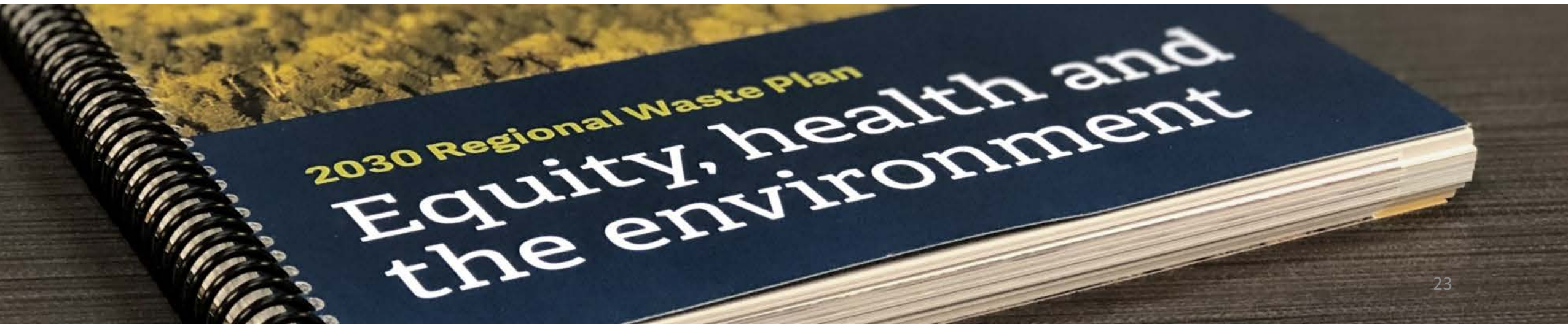


Solid Waste Fee Scenarios



Policy considerations and levers

- Current service level
- Employer of choice
- Climate considerations
- Commercial food waste subsidy



Fee Scenarios Overview

Scenario 1: Status Quo

Scenario 2: Smoothing over the next 5 years

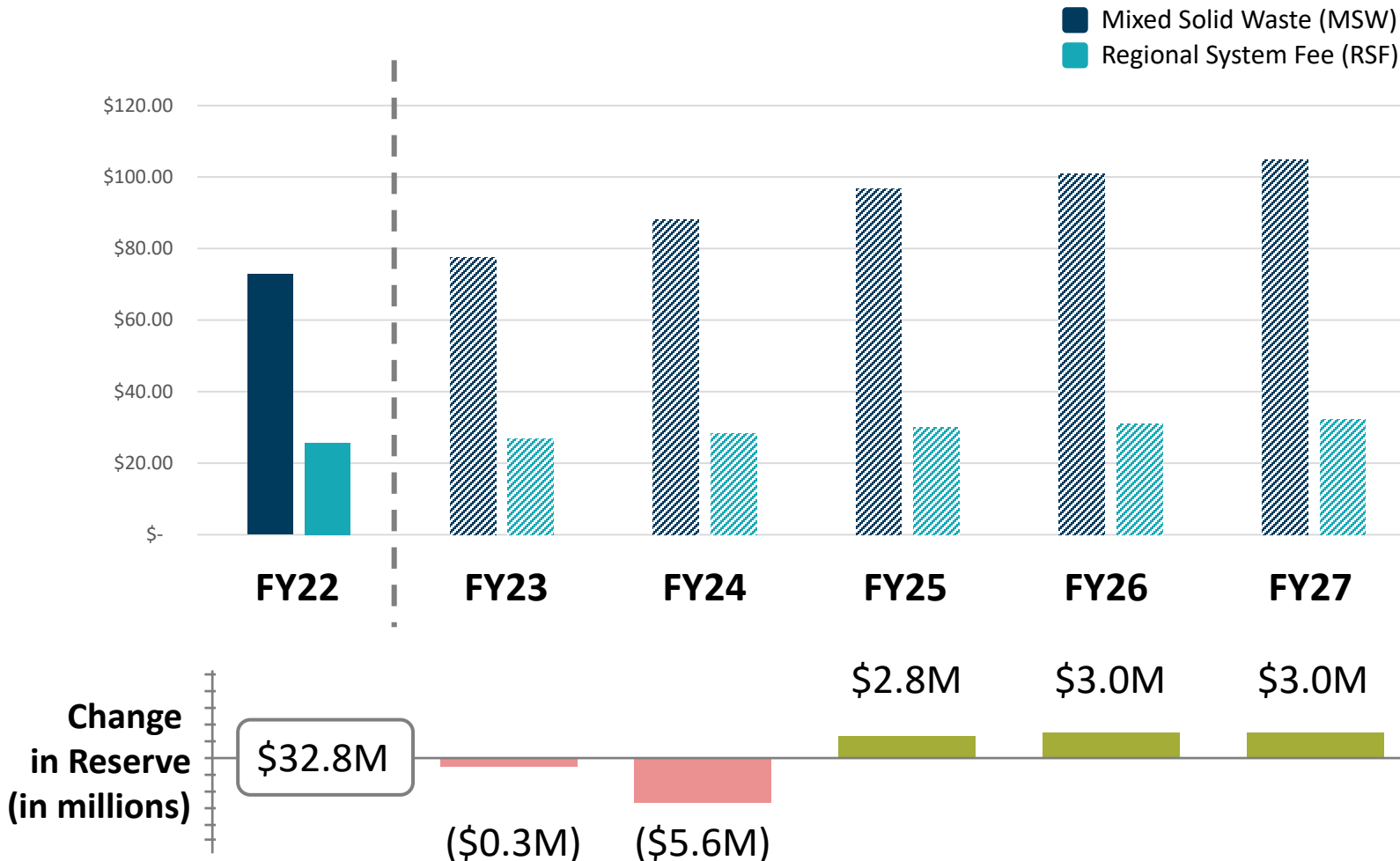
Scenario 3: Fund the Capital Improvement Plan

Scenario 4: Public Facility Cost Sharing



Scenario 1: Status Quo

Fees developed using a cost of service approach, adjusted each year to generate required revenue



Assumptions & Levers

- Fully fund reserves
- Limit capital outlay
- Single-year focus

Average annual increase over the 5 years



MSW

7%

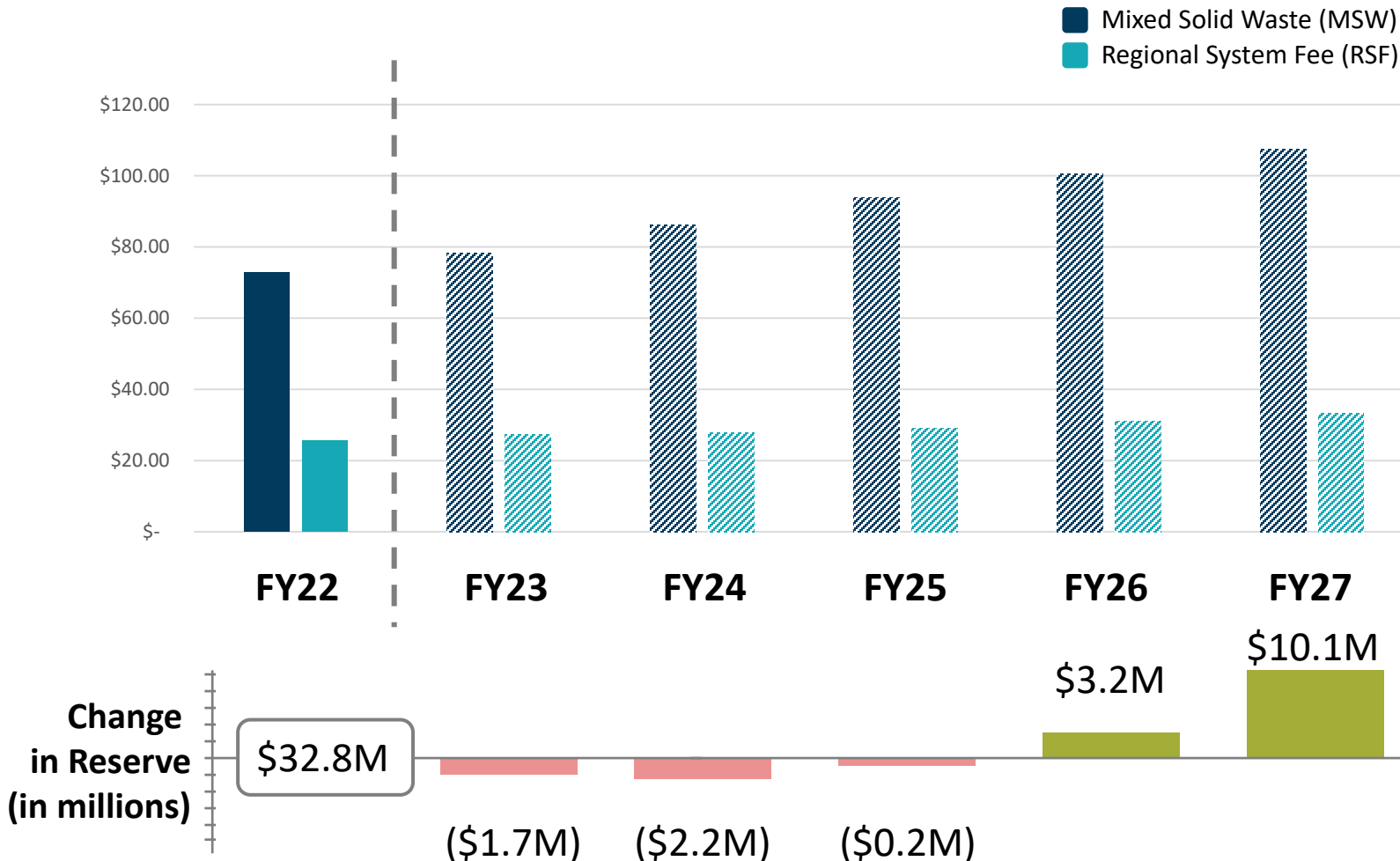


RSF

4.5%

Scenario 2: Rate Smoothing

Fees are set to ensure consistent rate increase of 6-8% each year for 5 years



Assumptions & Levers

- 5-year focus
- Fully fund operating reserves
- Limiting capital projects

Average annual increase over the 5 years



MSW

7.5%

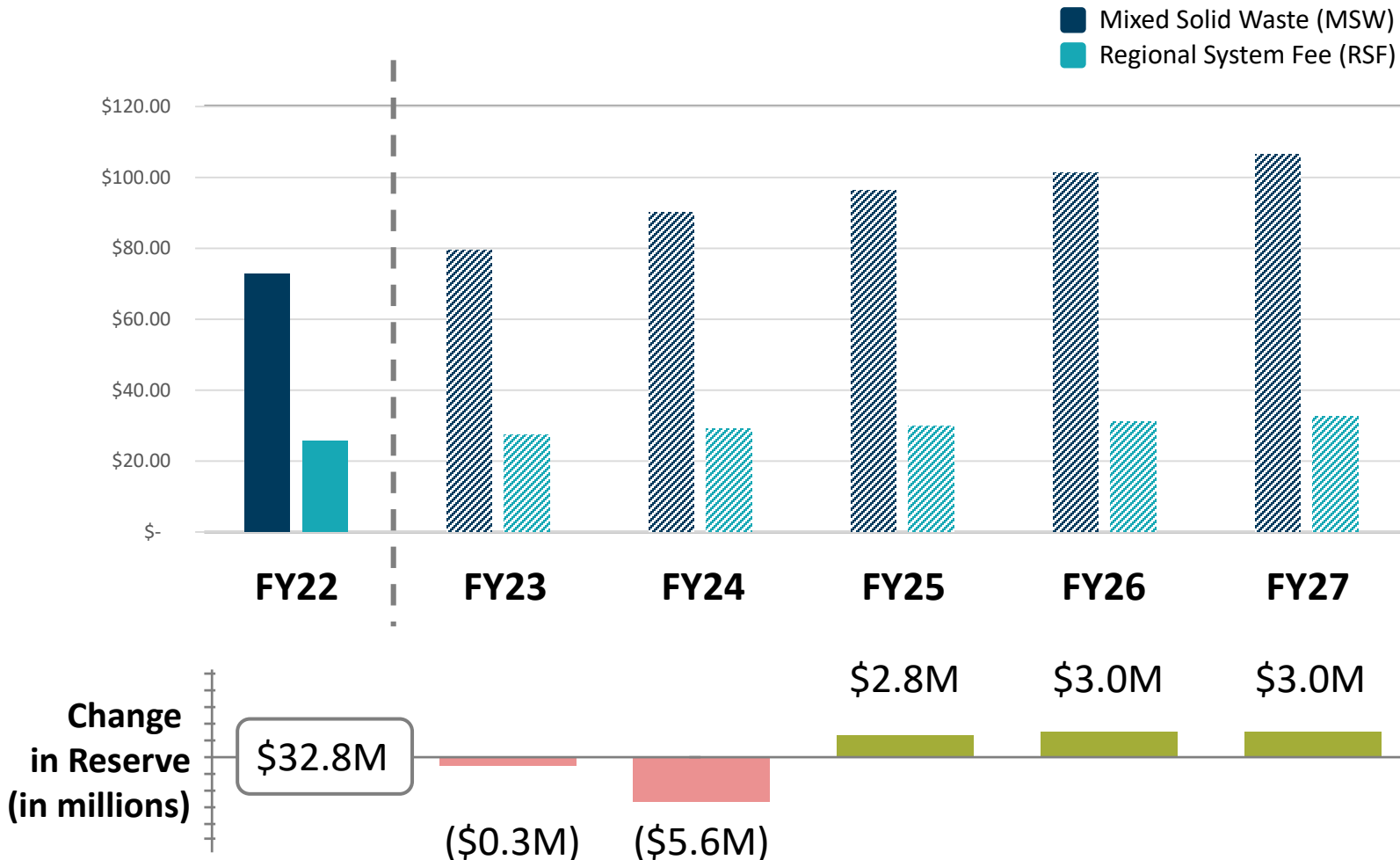


RSF

5%

Scenario 3: Capital Investment Priority

Fees developed using a cost of service approach, adjusted each year to generate required revenue



Assumptions & Levers

- Single year focus
- Fully funding reserves and capital improvement plan

Average annual increase over the 5 years



MSW

7.3%

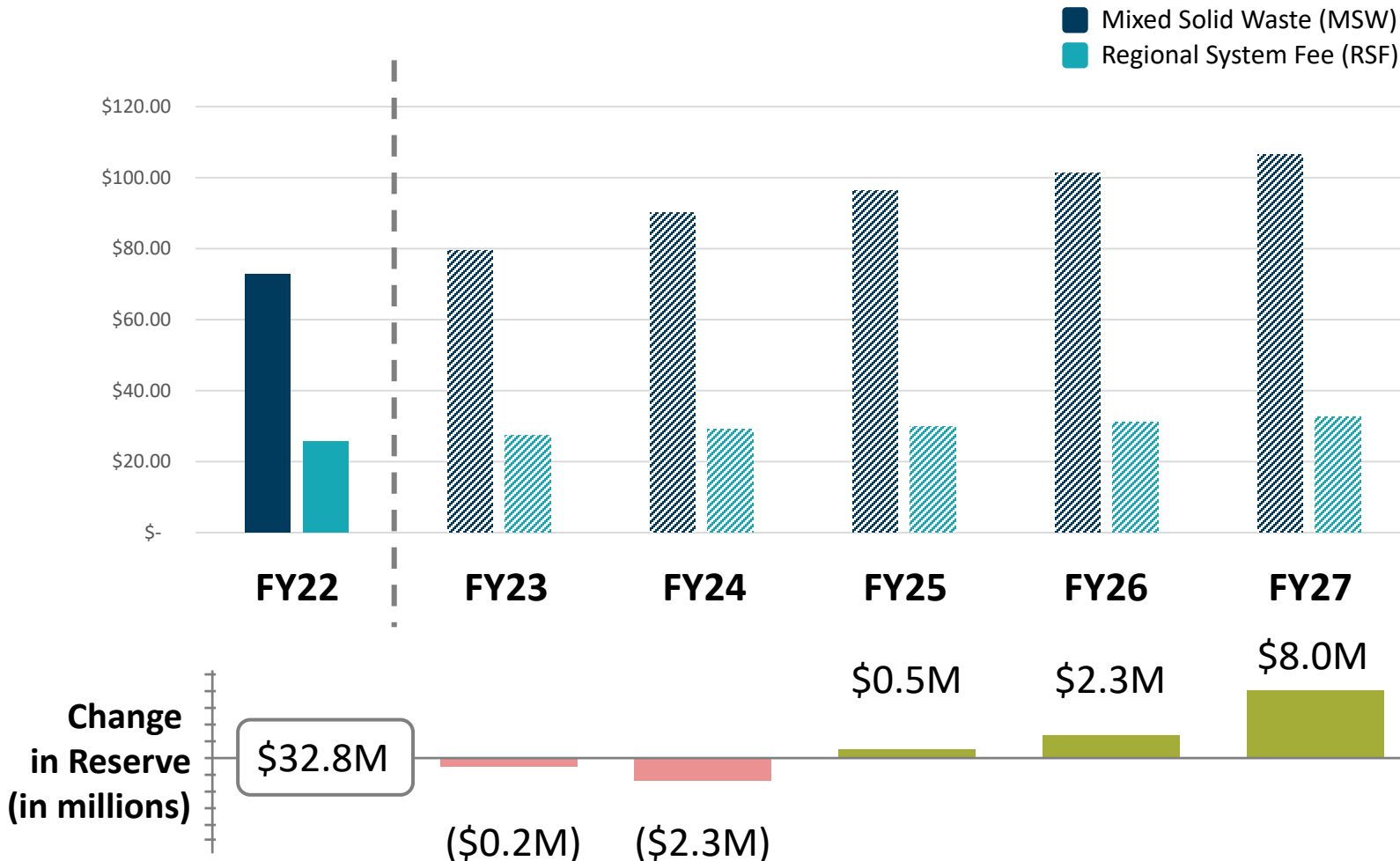


RSF

4.7%

Scenario 4: Public Facility Cost Sharing

Public facility fixed costs are shifted to the Regional System Fee



Assumptions & Levers

- Allocation of public facility fixed costs
- Reserves fully funded
- Limiting capital projects

Average annual increase over the 5 years



MSW

6.4%



RSF

6.3%

Comparison Table

1

Status Quo

2

Rate Smoothing

3

Capital Investment

4

Public Facility Cost Sharing

Policy driver(s)	Maintaining service levels	Predictable fee increases	Taking care of public facilities	Ensuring public goods are available
Reserve fund	3 years below FY27 \$42.1M	2 years below FY27 \$42.1M	2 years below FY27 \$42.0M	2 years below FY27 \$35.7M
First Year MSW increase	\$4.82	\$5.54	\$6.64	\$2.70
First Year RSF increase	\$1.23	\$1.48	\$1.86	\$3.34

Policy Considerations

Capital investments

- Taking care of what we have
- Investing in new facilities

Fee predictability

Cost responsibility/public goods

Level of service



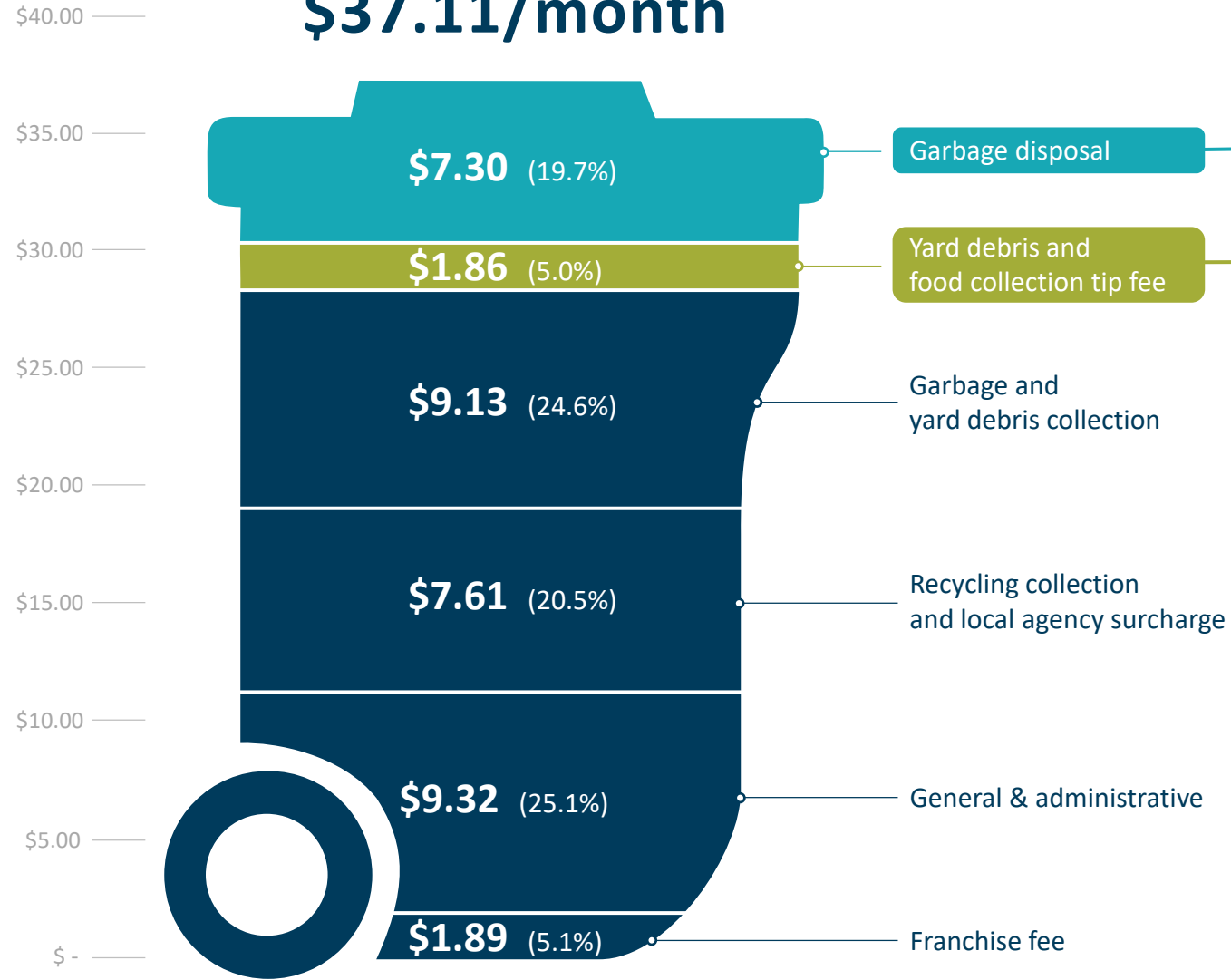
COO Recommendation

Scenario 4: Public Facility Cost Sharing

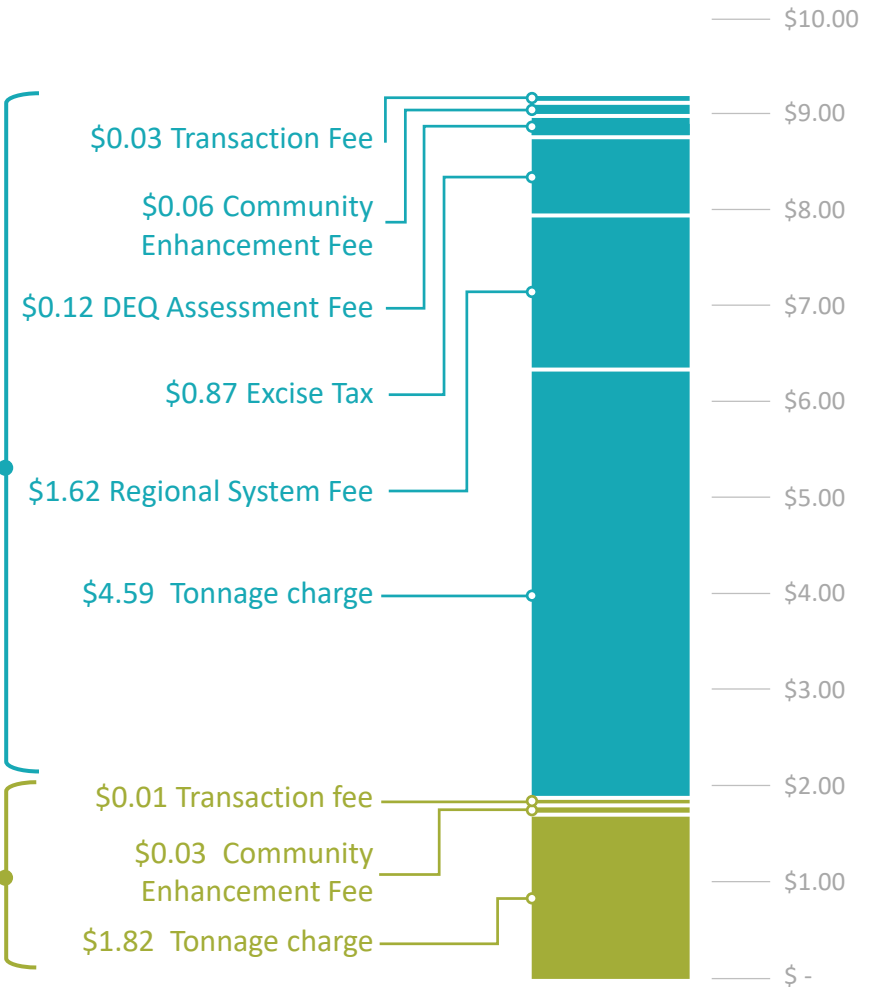
	FY22	FY23	FY24	FY25	FY26	FY27
Mixed solid waste fee	\$72.81	75.50	82.96	90.56	95.82	101.39
Regional System Fee	\$25.65	28.99	30.03	31.59	33.55	35.63
Total Tip Fee (at Metro stations)	\$115.15	\$121.18	\$129.68	\$138.84	\$146.06	\$153.71
% Increase		5.2%	7.0%	7.1%	5.2%	5.2%

Regional Composite Curbside Costs (FY21-22)

Household Garbage Bill \$37.11/month



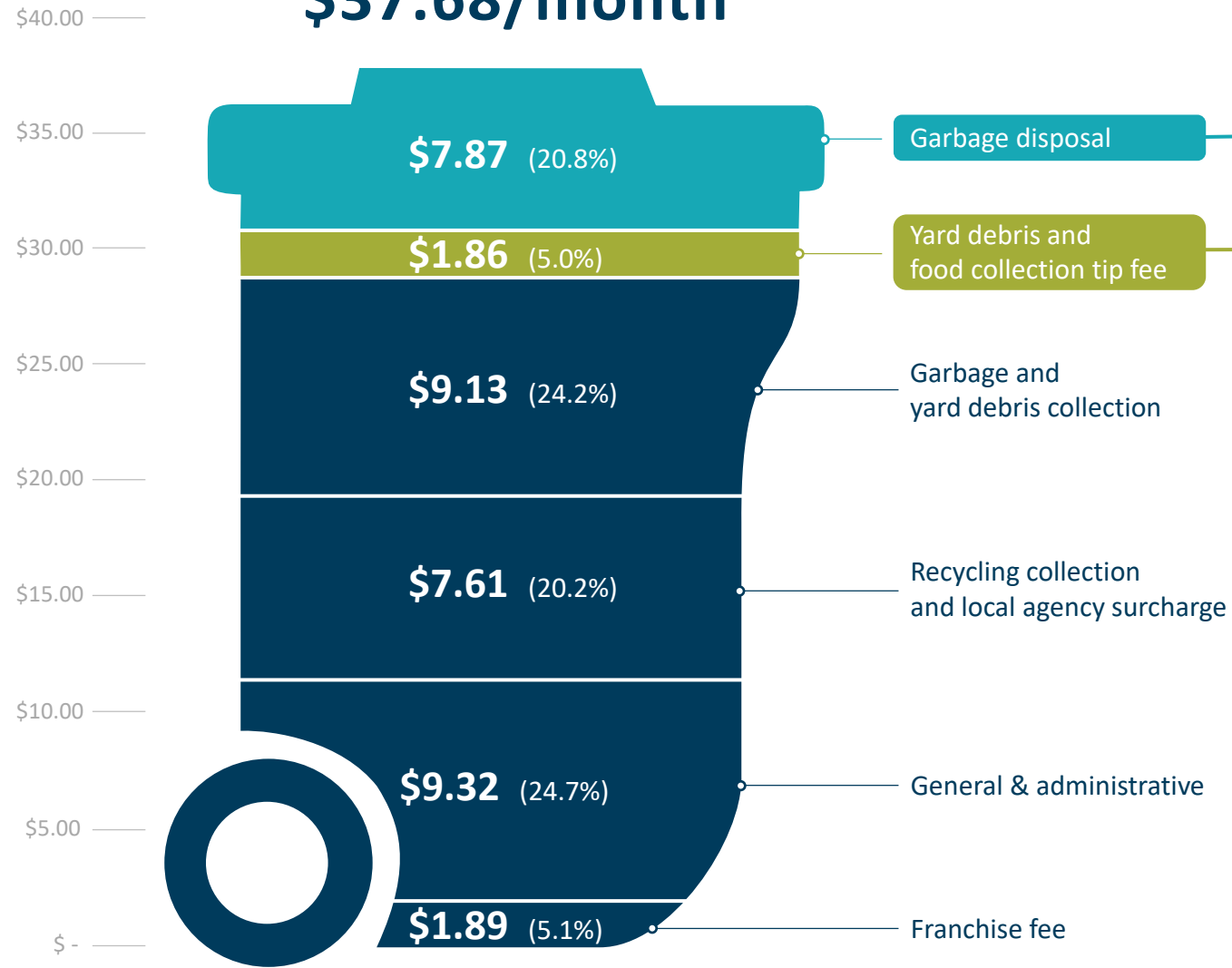
Metro Portion \$9.16/month



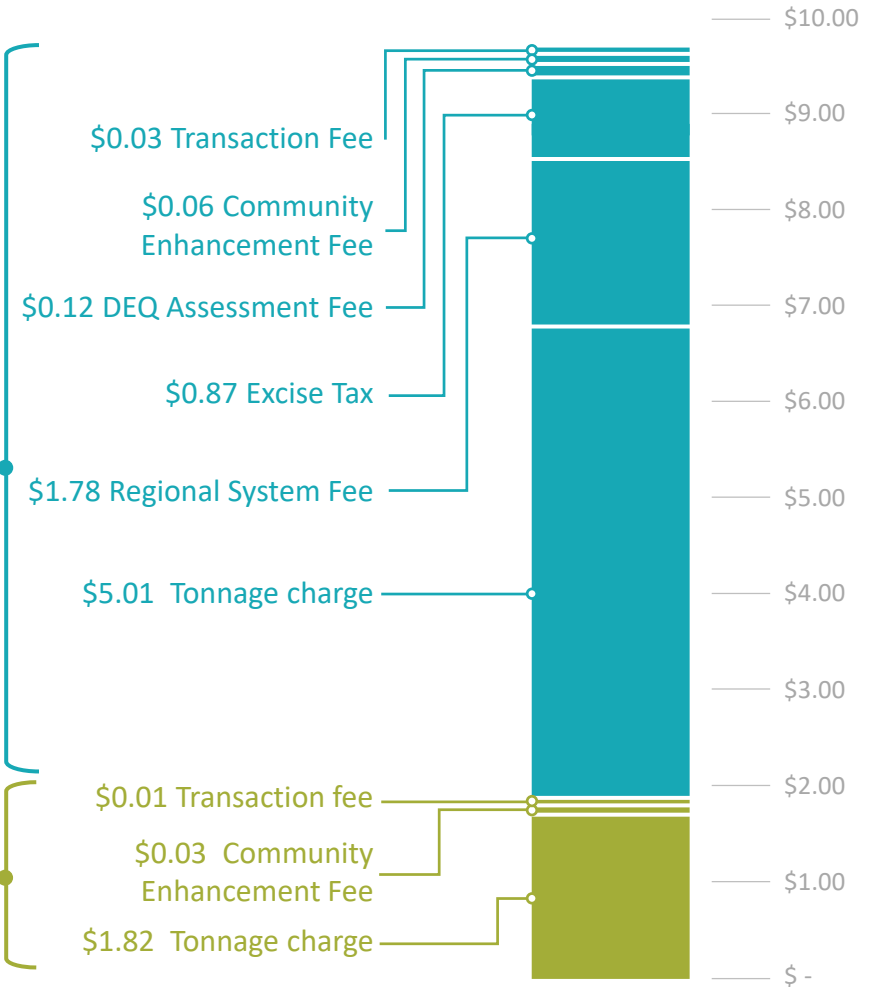
NOTES: All costs and fees shown here are a composite developed from a sample of agencies within the Metro region (not including City of Portland) as of December 2021 (FY21-22). Assumes haulers have automated account which includes transaction fee per load.

Scenario 4 Curbside Costs (FY22-23)

Household Garbage Bill \$37.68/month



Metro Portion \$9.73/month



NOTES: Assumes haulers have automated account which includes transaction fee per load.

COO Recommendation

Opportunities:

- Achieves similar rate predictability to Scenario 2
- Recognizes Metro transfer stations are a public good in the solid waste system

Challenges:

- Constrains capital projects and other program expansions over the next five years

COO Recommendation

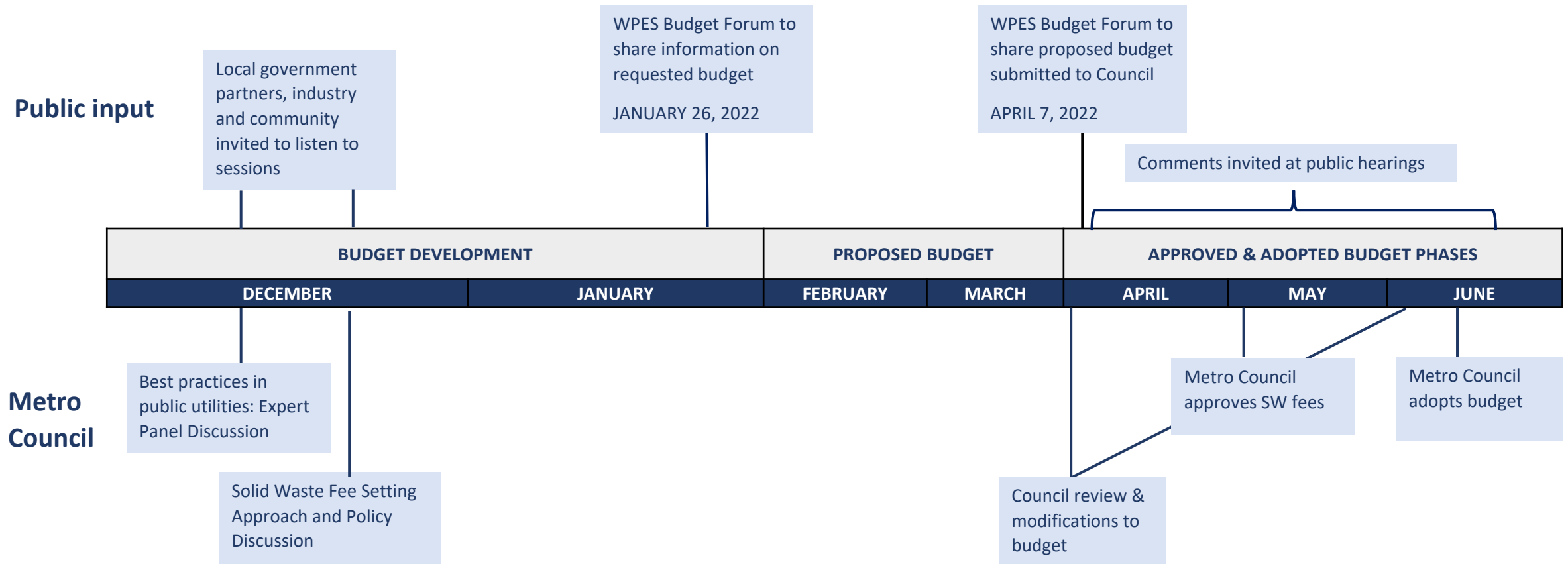
Other Policy Levers:

- Changes to service levels
- Different capital financing strategy

Next steps

- Finalize changes to solid waste fee setting approach
- COO presentation of budget proposal
- Council adoption of fees and budget

Budget Engagement Overview



Policy Discussion

Do you have any questions about the scenarios presented today?

What are the Councilors' preferred scenario?

Does the recommended scenario achieve Council's overall goals for fee setting?



Solid waste fund estimated reserve balances

Audited FY2020-21 ending reserves are \$36.6M

Expected ending reserves for FY22:

Restricted funds

- Landfill closure = \$5.6M
- Pollution remediation (GASB 49) = \$5.2M

Assigned reserves

- Capital reserves = \$6.2M
- Renewal & Replacement = \$1.0
- Unrestricted operating reserves = \$14.8M (includes \$12.5M for 45-day reserve)

Total estimated ending reserves are \$32.8M – used for FY23 fee setting

WPES Capital Improvement Plan

FY2022-23 WPES Submitted 5-Year Capital Improvement Plan:

- **Renewal & Replacement**
 - FY2022-23, 9 projects for \$1M
 - FY2023-24, 9 projects for \$2.2M
 - FY2024-25, 1 project for \$27K
 - FY2025-26, 1 project for \$100k
 - FY2026-27, none
- **New Capital**
 - FY2022-23, 17 projects for \$5.5M
 - FY2023-24, 19 projects for \$13.1M
 - FY2024-25, 5 projects for \$5.7M
 - FY2025-26, 5 projects for \$8.5M
 - FY2026-27, 4 projects for \$11.5M