

Agenda



Metro

600 NE Grand Ave.
Portland, OR 97232-2736

Meeting: Waste Fee Policy Task Force
Date: Tuesday, Jan. 30, 2024
Time: 2:00 to 3:30 p.m.
Place: Hybrid Council Chambers, Metro Regional Center, 600 NE Grand Ave., Portland
Purpose: Fourth task force meeting, welcome members, ask for feedback on priority waste fee criteria.
Outcomes: Provide feedback on prioritization of new and existing fee criteria.

2 p.m. **Welcome** **Metro Councilor Mary Nolan,
Task Force Chair**

2:05 p.m. **Criteria Activity and Discussion** **Pam Peck**
Objective: Collect feedback from task force members on prioritization of new and existing fee criteria.

- Accountability
- Public Benefit
- Fiscal Responsibility

Participants will complete a series of online survey questions. Please bring a laptop or smartphone to participate.

3:25 p.m. **Next steps** **Metro Councilor Mary Nolan**

3:30 p.m. **Adjourn** **All**

Waste Fee Policy Task Force
Pre-Read: January 30th Meeting Follow-up Information

Overview

At the January 9th Waste Fee Policy Task Force Meeting, participants requested additional information on Metro’s fees, reserve policy and funds, and data on the collection and disposal of waste. This document responds to questions that were posed on these topics.

Request: Can you provide more information on Metro’s reserve policy and funding?

Response: Attached is the Waste Prevention and Environmental Services Solid Waste Fund Reserve Policy.

Request: Can you explain what portion of fees go to Metro’s general fund?

Response: The attached WPES Budget in Brief shows the breakdown of Metro’s solid waste fees on page 2. The solid waste excise tax is established in Metro Code and goes to the general fund. No other solid waste fees go to the general fund.

Request: Can you provide more information on what the fees pay for?

Response: The attached WPES Budget in Brief outlines programs and services funded by solid waste fees.

Request: What fees are not charged cost of service?

Response: The following table outlines the cost of service and fees charged for materials.

| | Full Cost of Service | Adopted Fees for FY2024 |
|----------------------|----------------------|-------------------------|
| Transaction Charges | | |
| Manual | 31.00 | 24.00 |
| Automated | 7.50 | 6.75 |
| Mixed Solid Waste | 92.26 | 89.72 |
| Clean Wood | 94.51 | 74.93 |
| Yard Debris | 36.78 | 55.00 |
| Residential Organics | 99.94 | 86.15 |
| Commercial Organics | 106.53 | 75.38 |
| Regional System Fee | 33.83 | 31.41 |
| Minimum Load Charge | 48.00 | 40.00 |

Request: Can you provide data on RID benefits and Metro Paint recovery and benefits?

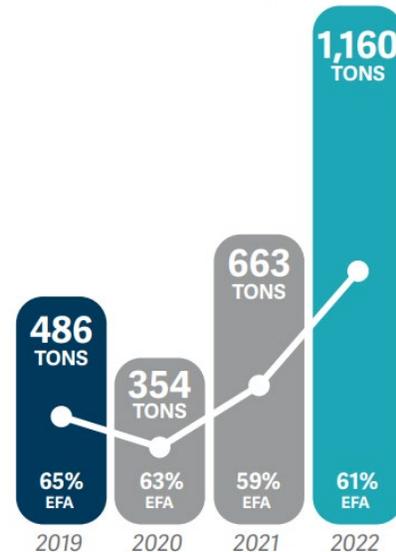
Response: Information on these programs can be found below. Additional details can be found in the [2022 Regional Waste Plan Progress Report](#).

RID Community Stewardship Program

Metro’s Regional Illegal Dumping (RID) program cleans up dumped garbage reported on public property. Data on the dumped garbage collected by RID crews are indicative of the scale of dumped garbage in the Metro region overall and on communities disproportionately impacted by it.

This indicator tracks the total tons of dumped garbage within RID crew service areas. It also monitors the percentage of sites cleaned up by RID that occur in equity focus areas (EFA), as one measure of impacted communities. EFAs represent communities with a higher-than-average density of people of color, people with limited English proficiency or people with incomes equal to or less than 200% of the federal poverty level. The data show that in 2022, the tons of dumped garbage cleaned up by RID crews increased by 75% compared to 2021. In 2022, the number of RID crews increased from 3.5 to 6 crews and those crews cleaned up a record 1,160 tons of dumped garbage from 6,537 sites. Over the past four years, the majority of sites that RID crews cleaned up were located in EFAs. Cleaning up dumped garbage is a priority of Metro and local jurisdictions, with resources dedicated to expanding cleanup efforts in recent years. Over the long term, however, the goal of this indicator is to see a decrease in the amount of dumped garbage collected in the region as a reflection of adequate garbage, recycling and reuse services.

Annual tons disposed by RID crews and % of sites occurring in EFAs



MetroPaint

MetroPaint is previously unwanted paint remade new. It is screened for quality and re-blended into desirable colors. MetroPaint goes through a strict color-matching process to ensure the colors are consistent from one gallon to the next. Last year, MetroPaint recycled more than 270,882 gallons of paint recycled and provides for 24 full time jobs.

Question: What is the added cost to Metro’s fees for effective waste reduction?

Response: The regional system fee is used to fund regional waste reduction programs and services. For FY23, the Regional System Fee was \$31.41 per ton of garbage.

Waste Prevention and Environmental Services (WPES)

Solid Waste Fund Reserve Policy



Department Operational/Capital Purpose

The Waste Prevention and Environmental Services (WPES) department is responsible for ensuring that all solid waste generated in the region is managed in a manner that protects public health and safeguards the environment. The department's work is guided by the 2030 Regional Waste Plan which functions as the greater Portland area's blueprint for investing in the garbage and recycling system, reducing the environmental and health impacts of materials that end up in this system, and advancing progress towards Metro's racial equity goals.

Departmental operational/program risks and other considerations

The following potential risks have been identified that could require the need for General Fund reserves:

- Poor macroeconomic conditions that impact tonnage generation. There is a great deal of capacity in the system, which can affect revenue generation when there are economic downturns. The tonnage is the significant driver of revenue.
- Major environmental event that would cause facilities to be inoperable and/or the only facility to use. Both would cause economic challenges which WPES attempts to be mitigated with the 45-day operating reserve policy. This most likely is not enough if there was a major earthquake or horrible forest fire that destroyed urban areas. The fund needs to start moving toward a higher operating reserve.
- Continued increase operation costs due to the limitations of the Metro stations which cause inefficiencies and congestion. These factors make contracts with operators expensive and complicated. This current condition will only get harder and harder to manage the contract cost elements.
- Inflation – CPI West is a significant cost element in all the major contracts and have been promised through contract language.
- Political pressure to do more with the regional system fee than what was originally intended. More services creates upward pressure on a political fee.
- Current Council would like to see a drop in MSW tonnage (less garbage per household). This in direct conflict with how the fund generate revenues and affordability for the average tri-county household.

Funding of reserves

Operational Reserves in sub-funds 530 and 533: These reserves are considered **unrestricted** to the fund (but still restricted to the enterprise purpose). Operation reserves are primarily funded by user fees charged per ton in the tri-county area and at the Metro two public facilities. Tonnage revenue comes in as regional system fee (charged on each ton disposed of throughout the region), mixed solid waste fee, organic materials fee, and transaction fees. The fund has a few smaller revenue generation items that are recycled paint sales, franchise fees, environmental clean-up charges and other miscellaneous charges. Infrequently, the department will receive other governmental resources in forms of grants or

Waste Prevention and Environmental Services (WPES) Solid Waste Fund Reserve Policy



some kind of inter-governmental agreement, but these are one-time events and are not considered to be consistent revenue.

Renewal and Replacement Reserves in sub-fund 534: These reserves are considered **unrestricted** to the fund (but still restricted to the enterprise purpose). The Solid Waste Toolkit (fee model) currently prescribes the amount to fund renewal and replacement reserves annually. For FY 2024-25, this amount is estimated at \$2.3M. This is collected through the fee and transferred to the Renewal and Replacement reserve.

Disaster Debris Reserve Fund in sub-fund 535: These are **committed** reserves (Council adopted this reserve by ordinance) and is funded using the reduced fee collected on clean up materials. This fee is diverted to the Disaster Debris Reserve Fund until it reaches \$5M. Once that level is reached, the fee collected on clean up materials will be added to unrestricted reserves unless Metro Council directs otherwise.

New Capital Reserves in sub-fund 536: These reserves are considered **unrestricted** to the fund (but still restricted to the enterprise purpose). New capital is currently funded by revenue collected on overperformance of tonnage and/or underspend of budget. This revenue is diverted to the reserve for new capital. The department understands that this is not sustainable long-term, but it is currently covering the level of expenditures. This model is insufficient for large capital purchases and investments. Once Council has approved any expenditures of this nature, other financing options and/or discussion of fee increases will be presented to Council for consideration.

Landfill Closure and Postclosure Care in sub-fund 536: This **restricted** reserve that was previously set aside for the post closure care of St. Johns Landfill. This is described in GASB Statement 18, Municipal Solid Waste Landfill Closure and Postclosure Care Costs. This reserve is currently at \$5.2M. The estimate for Postclosure is prepared annually and reported to Oregon Department of Environmental Quality. The estimated expense for post closure care for the remainder of Metro's current 30-year permit which expires in 2026 is \$2.9M. Since Metro will apply for another permit, the estimated amount for the 5-year period is \$5.0. The 5-year estimate was also included in the post-closure estimates sent to Oregon Department of Environmental Quality.

Rate Stabilization Reserves in sub-fund 537: These reserves are considered **unrestricted** to the fund (but still restricted to the enterprise purpose). These reserves were previously set aside for rate stabilization from overperformance of tonnage and underspend of budget in previous years (from FY10-FY16). These reserves are set aside to help mitigate fee volatility. Reserves were used during the pandemic years to help with macroeconomic black swan event and fee spikes. Resources to fund these reserves are a decision by the department leadership and the COO to move fund balance from operations into the sub-fund.

Pollution Remediation Obligations in sub-fund 539: This **restricted** reserve that was previously set aside for environmental impact liability at St. Johns Landfill. This is described in GASB Statement 49, Pollution

Waste Prevention and Environmental Services (WPES) Solid Waste Fund Reserve Policy



Remediation Obligations. The reserve is \$5.8M and is monitored closely and used only if there are pollution remediation obligations that occur.

Reserve targets and reasons by fund

- *Unrestricted reserves:* WPES operations' policy require a minimum 45-day operating reserve for both facilities and program activity. This is calculated using the sum of the expenses for personnel, materials & services, cost allocation plan, and other direct charges divided by 365 and multiplied by the amount of days for the reserve. For FY 2024-25 the 45-day reserve is estimated at \$15.8M.
 - o Within the unrestricted reserves, the range for operating reserves is 45 to 90 days. This amount is monitored and maintained at a minimum of 45 days. The Government Finance Officers Association (GFOA) recommends 60 days, and the department will progress toward this level in out years (FY27-29).
 - o Renewal and Replacement – This amount, as described in the prior section, is an output from the fee model. The department uses this estimate for planning renewal and replacement projects. Although the department knows that this is not adequate amount of funding for department assets. Each year the department will try to increase the annual contribution amount paid for by the fees that will not put undue upward pressure on fee increases. Stretch goal is to get to \$4-5M annual contribution and to hold at least enough reserves to pay for current year CIP for the fund.
 - o New Capital Reserves – As described in the prior section, new capital is currently funded from revenue collected on overperformance of tonnage and/or underspend of budget. Historically, minus any multimillion-dollar projects, the department spends \$2M - \$3M on new capital projects annually. The current reserve level is sufficient (FY24 is \$10M) for the next year but will need to be reviewed annually as the CIP is developed. The department knows that it has insufficient reserves for any significant and major capital investment projects. Anything of this nature will need a financial plan that is approved by Metro Council, COO and the CFO.
- Restricted reserves
 - o Pollution Remediation Obligations under GASB Statement 49: Current balance/target \$5.2M
 - o Municipal Solid Waste Landfill Closure and Postclosure Care Costs under GASB 18: Current balance: \$5.8M. Requirement described in Funding of Reserves section.
 - o Disaster Debris Reserve – This reserve does not have a specific target but contributions to the fund will cease at \$5M unless directed by Metro Council.

Authority to approve and appropriate use for spending reserves

Spending unrestricted reserves is the decision of the department's leadership and their Finance Manager. Although, spending past the 45-day reserve policy requires CFO consultation with COO

Waste Prevention and Environmental Services (WPES)

Solid Waste Fund Reserve Policy



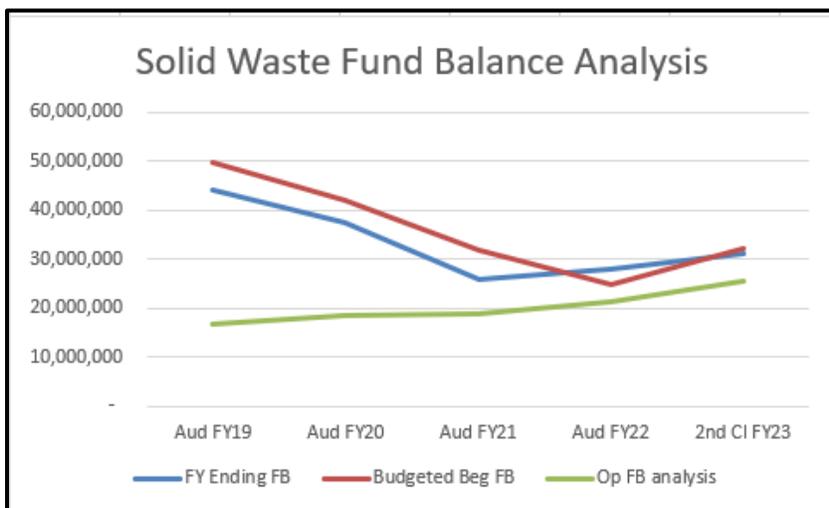
briefing. The COO can decline any spending past this limit and may require fee conversations with Council.

Spending committed and restricted reserves requires the spending to be done by the restricted purpose, as outline above.

Replenishment of reserves: noted in above sections.

Beginning fund balance reserve snapshot per target:

| | Aud FY19 | Aud FY20 | Aud FY21 | Aud FY22 | 2nd CI FY23 |
|-----------------|------------|------------|------------|------------|-------------|
| FY Ending FB | 44,177,145 | 37,540,705 | 25,719,715 | 28,055,979 | 31,152,072 |
| Budgeted Beg FB | 49,654,601 | 41,996,516 | 31,676,875 | 24,971,183 | 32,240,785 |
| Op FB analysis | 16,786,359 | 18,523,005 | 18,797,690 | 21,223,239 | 25,357,183 |





WASTE PREVENTION AND ENVIRONMENTAL SERVICES

Budget in brief FY 2023-24

Overview

Metro is responsible for ensuring that all solid waste generated in the region is managed in a manner that protects public health and safeguards the environment. As a part of this responsibility, Metro’s Waste Prevention and Environmental Services Department administers the 2030 Regional Waste Plan that serves as the region’s blueprint for investing in our garbage and recycling system, reducing the environmental and health impacts of materials that end up in this system, and advancing progress towards Metro’s racial equity goals. The plan is implemented collaboratively with local governments and partners in local communities.

Annual budget process and timeline

Metro’s annual budget process incorporates strategic direction into a comprehensive policy and financial plan for all programs and services. Our budget is more than a technical document filled with numbers and data tables; it is focused on the concrete investments that move our region forward.

The annual budget process is designed to meet the needs and expectations of our communities and requirements of Oregon Budget Law. Each year, the process starts in September with preparation and analysis of Five Year Forecasts and ends in June with adoption of the budget by Metro Council. The Solid Waste Fee setting process runs parallel to the budget process, with fees typically adopted in March.

2023

Jul Aug Sept Oct

Budget preparation

- Capital improvement
- Project scoping
- Forecasts updated

2024

Nov Dec Jan

Department budget request

- Council retreat
- Budget direction

Jan Feb Mar

Budget proposal

- Meetings with COO
- Council presentations

Apr May Jun

Budget approval

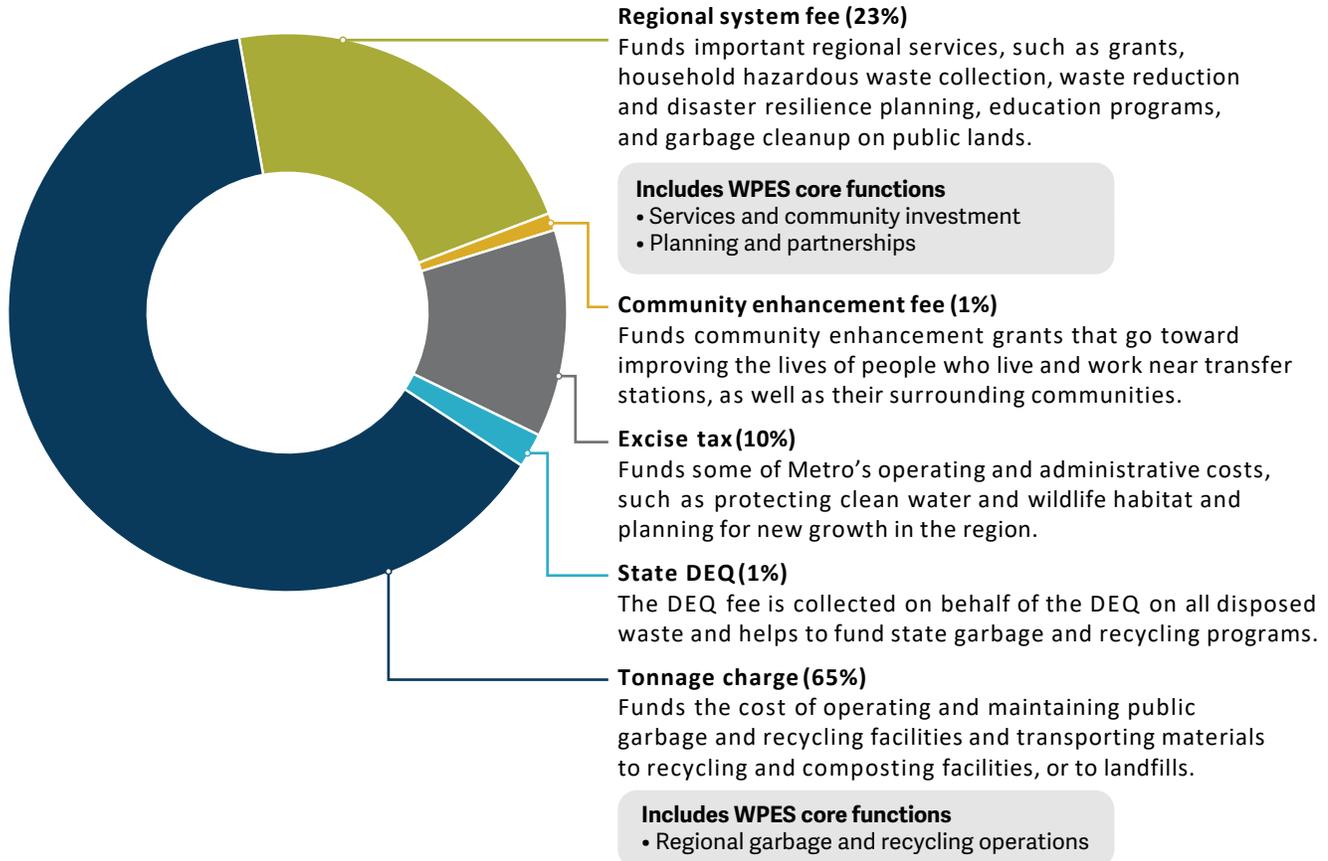
- Potential updates to budget based on council review

Jun Jul

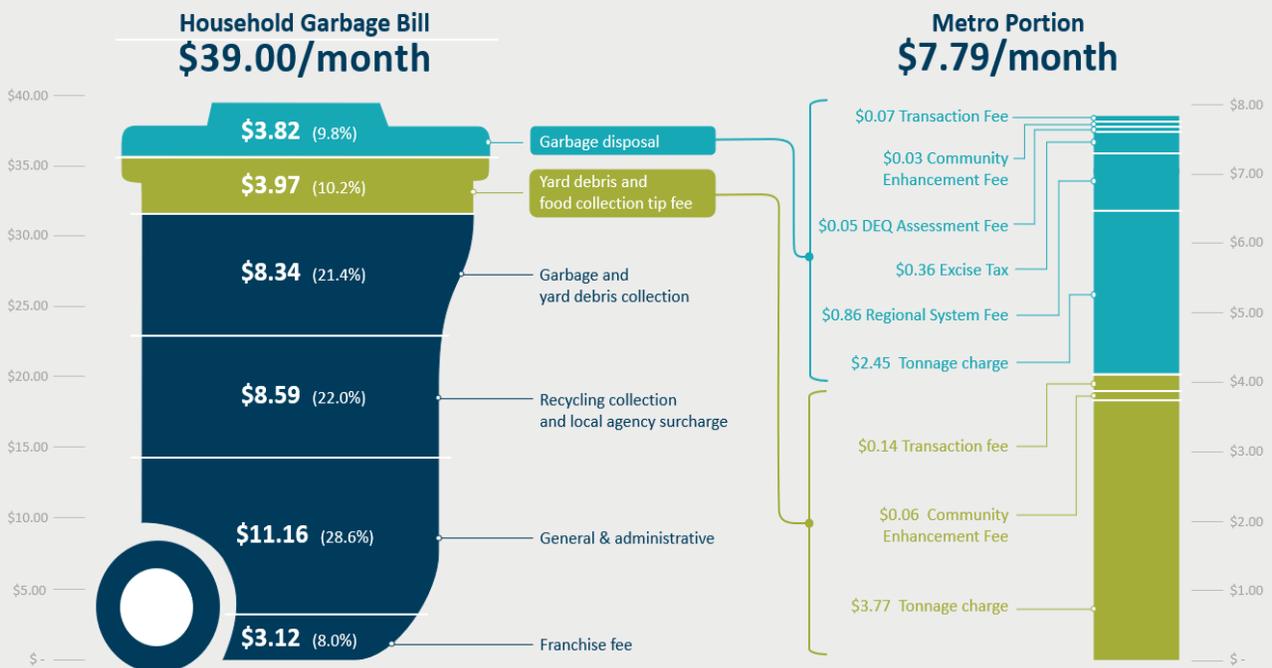
Budget adoption by Metro Council

- Council approval of budget

Where the money comes from

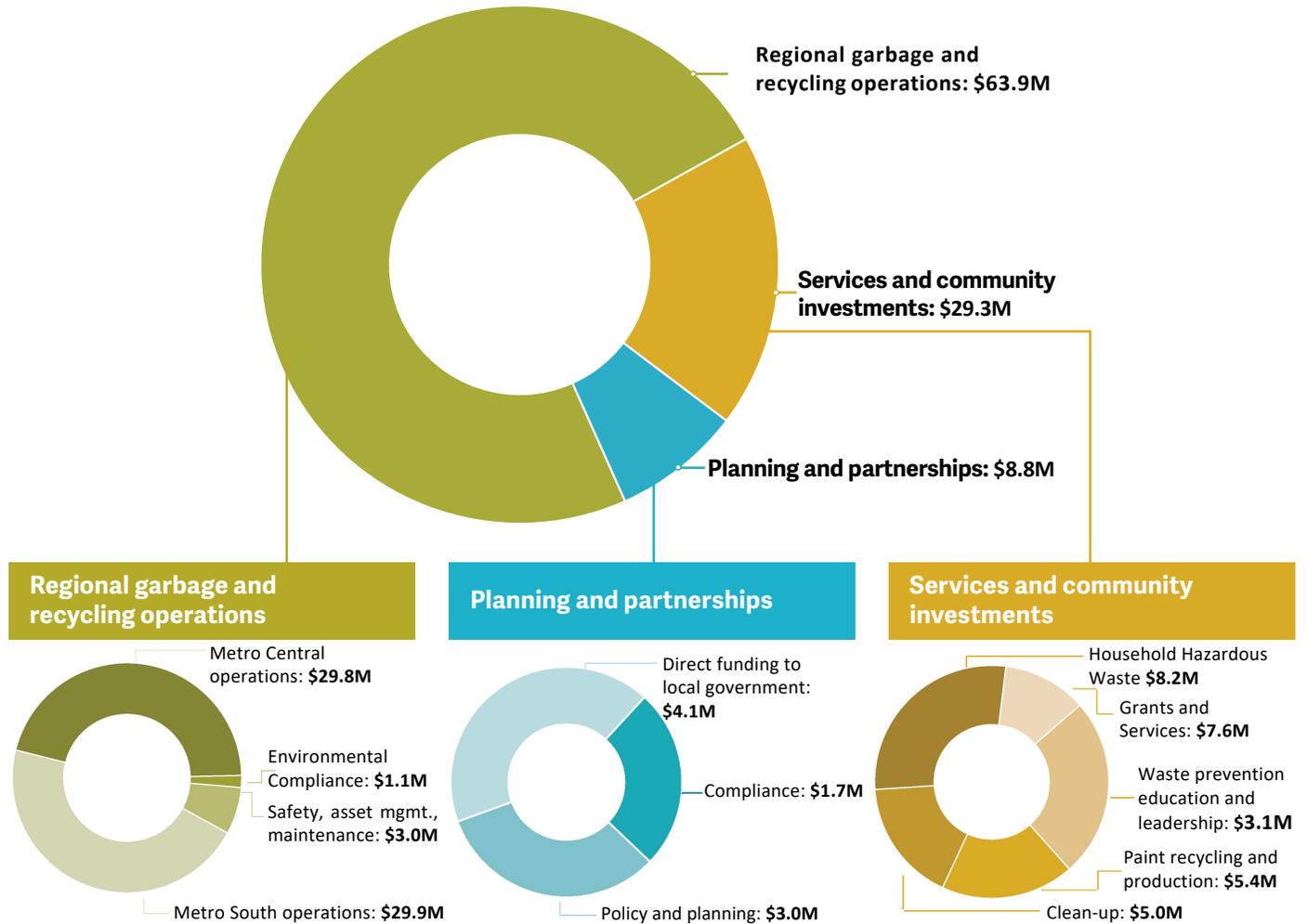


Spotlight: Metro sets the fees, local governments set rates



NOTES: All costs and fees shown here are based on the City of Portland and Metro rates as of July 2023 (FY23-24). Assumes haulers have automated account which includes transaction fee per load.

Where the money goes



Allocations listed above represent only operational expenses for programs and services.

Spotlight: Metro transfer stations, what do fees pay for?

Fees cover the costs of providing safe disposal and reclamation of materials and are adjusted every year. They pay for programs to reduce waste, promote recycling and clean up illegal dump sites. For every ton disposed, a \$1 fee funds community enhancements to benefit people who live or work near Metro transfer stations.

1

Metro customers

Tonnage charges

2

All ratepayers (disposed tonnage)

Regional system fee
Excise tax
DEQ fees

3

All transfer station (incoming tons)

Enhancement (host) fees

What we get for the investment

Regional garbage and recycling operations

- Metro South Transfer Station
- Metro Central Transfer Station
- Household Hazardous Waste
- St. John's landfill
- Safety, environmental and ADA compliance
- Asset management and maintenance

Planning and partnerships

- Garbage and recycling service improvements
- Regulation of private facilities
- Grants to local governments
- Planning for new facilities and services
- Disaster debris planning

Services and community investments

- Youth leadership and waste prevention education programs
- Grant and sponsorship programs
- Neighborhood collection events
- Cleaning up dumped garbage
- Paint recycling and graffiti clean-up

Spotlight: Waste Prevention and Environmental Services budget roundtables

Starting in October of 2023, Waste Prevention and Environmental Services will convene stakeholder roundtables to inform budget priorities. Meetings will be convened in each phase of budget development.

- Increased opportunity for stakeholder input to budget priorities.
- Includes local government, industry, and reuse/repair stakeholders.

FY 2023-24 Highlights

Additional funding provided for:

Regional garbage and recycling operations

- Operational expense increases

Planning and partnerships

- Increased investment for Annual Waste Reduction Fund allocation for local governments
- Build capacity with Standards and Compliance for facility oversight

Services and community investments

- Establish the Regional Refresh Fund as a long term program
- Purchase of the RID deployment center

Spotlight: \$10M in state funding helps Metro expand dumped garbage solutions

The people of greater Portland have a cleaner, more beautiful region thanks to a \$10 million one-time investment from the state of Oregon.

Learn more at oregonmetro.gov/greaterportlandcleanup



Arts and events
Garbage and recycling
Land and transportation
Oregon Zoo
Parks and nature

oregonmetro.gov