

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF ADOPTING SOLID)	RESOLUTION NO. 24-5404
WASTE FEES AT THE METRO TRANSFER)	
STATIONS AND THE REGIONAL SYSTEM)	Introduced by Chief Operating Officer
FEE FOR FY 2024-25)	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

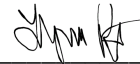
WHEREAS, Metro’s costs for solid waste services and programs have changed; and

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. The schedule of solid waste fees attached hereto as Exhibit “A” is approved and the fees become effective on July 1,

2024. ADOPTED by the Metro Council this 2nd day of May 2024.



Lynn Peterson, Council President

APPROVED AS TO FORM:



Carrie MacLaren, Metro Attorney

Exhibit "A" to Resolution No. 24-5404

SCHEDULE OF SOLID WASTE FEES

Effective July 1, 2024

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\$ 104.37
- (2) Clean Wood80.92
- (3) Yard Debris.....55.00
- (4) Residentially generated organic waste.....93.04
- (5) Commercially generated organic waste.....81.41

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. \$ 27.00
- (2) For users of automated scales 7.25

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 \$ 45.00
- (2) Clean Wood37.00
- (3) Yard Debris.....34.00
- (4) Residentially generated organic waste.....38.00
- (5) Commercially generated organic waste.....37.00

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.....31.72

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. 24-5404 FOR THE PURPOSE OF ADOPTING SOLID WASTE FEES AT THE METRO TRANSFER STATIONS AND THE REGIONAL SYSTEM FEE FOR FY 2024-25.

Date: April 8, 2024
Department: FRS
Meeting Date: April 25, 2024

Prepared by: Kat Kelley, Economist
Presenters: Brian Kennedy, CFO
Length: 15 Minutes

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, 2024.

ACTION REQUESTED

Council adoption of Resolution 24-5404

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, 2024;
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 2022-23.

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 the 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 24-5404

STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION

On March 29, 2024, Metro staff presented the recommendations of the Waste Fee Policy Task Force to the Metro Council. Their recommendations included updated fee setting criteria for solid waste fees. Specifically, the task force recommended improved engagement and collaboration on budget and fee development, improved public information about how Metro's fees are developed and used, continuing to maintain separate fund balance reserves for transfer station operations and Regional System Fee-funded activities, updates to Metro's financial policies, and prioritization of four criteria in solid waste fee setting. In that meeting Council directed staff to investigate fee options under two scenarios: Full Cost of Service (COS) in alignment with the recommended fee setting criteria and Fee Predictability (8% Ceiling).

The Full Cost of Service scenario generates enough revenue to break even over the next fiscal year. Under this scenario, the total tip fee increases to \$153.67 which, excluding the Metro excise tax, is 11% higher than the current fee. Under this scenario, WPES's ending fund balance for FY24-25 is estimated to be approximately \$34.6 million.

The Fee Predictability scenario keeps the increase of the overall tip fee within the 8% ceiling of year-over-year growth. This creates a mixed solid waste tip fee of \$149.69. This increase also includes the Metro excise tax increase of \$1.41, which is not a part of the fee development. If the excise tax were flat, the overall tip fee would be 8% increase from the prior year, which is within the ceiling guidance provided by Council. By capping these fees, WPES's ending fund balance for FY24-25 would be \$30.5 million, a decrease of \$4.5 million.

While both scenarios have their pros and cons and cover the needs of the WPES department and the Region's solid waste system, staff recommends moving forward with the Full Cost of Service Scenario to maintain WPES fund balance reserves. Both scenarios maintain separate reserve funds for transfer station operations and the regional system fee.

In summary, if Council adopts the recommended Full Cost of Service fee scenario, the overall tip fee increase is 11.92% and the minimum fee increase is \$5, from \$40 to \$45. The assumed weight per minimum charge stays flat at 240 pounds which is higher than the average minimum load (approximately 205 pounds).

Independent Solid Waste Fee Review: 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**.

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 2022-23 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 2024-25 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.

Figure 1. Anticipated fee changes

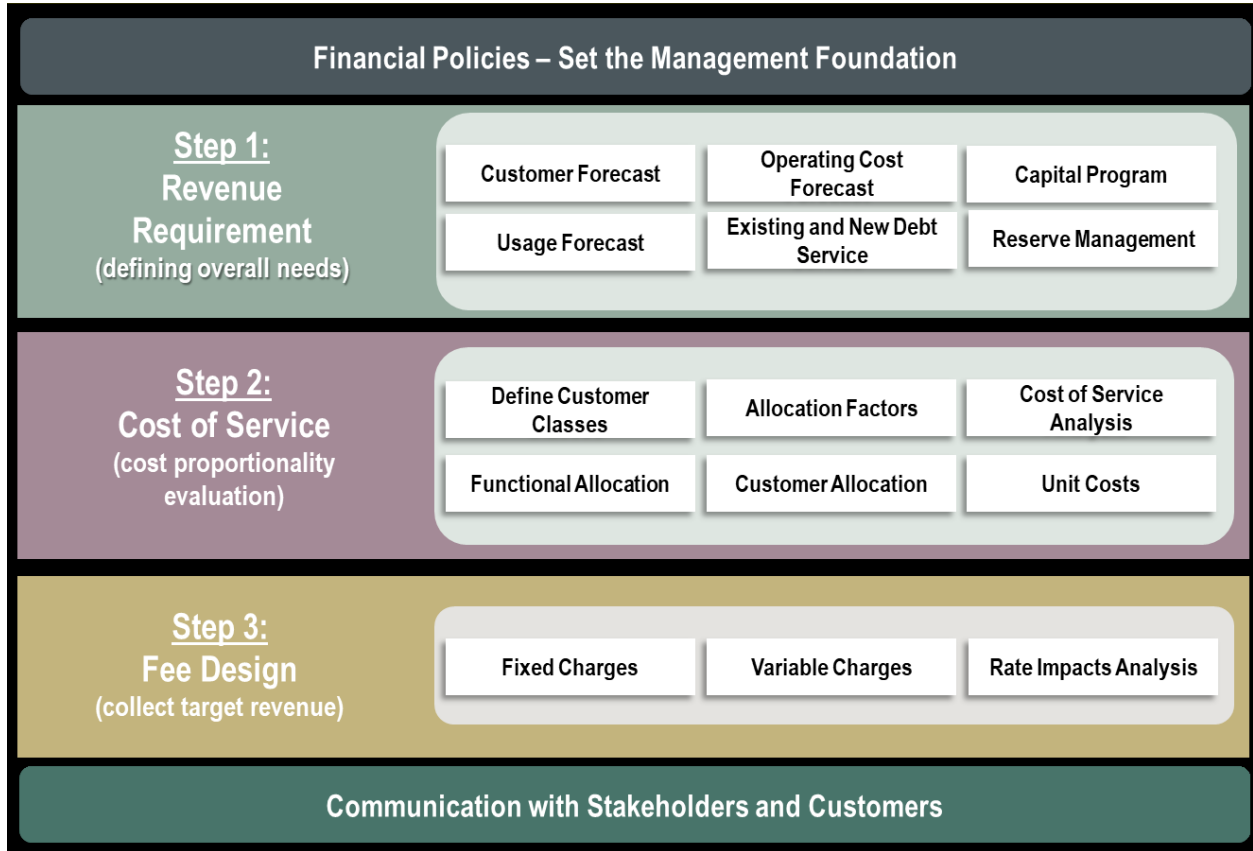
Projected Fee Schedule				
	Existing	Adopted	Difference	
	2024	2025	\$	%
Transaction Fees				
Staffed Scalehouse	\$24.00	\$27.00	\$3.00	12.50%
Automated Scalehouse	\$6.75	\$7.25	\$0.50	7.41%
Tipping Fees				
Mixed Solid Waste (refuse)	\$89.72	\$104.37	\$14.65	16.33%
Clean Wood	\$74.93	\$80.92	\$5.99	8.00%
Yard Debris	\$55.00	\$55.00	\$0.00	0.00%
Residential Organics	\$86.15	\$93.04	\$6.89	8.00%
Commercial Organics	\$75.38	\$81.41	\$6.03	8.00%
Fees and Taxes				
Enhancement Fee	\$1.00	\$1.00	\$0.00	0.00%
Regional System Fee (MSW only)	\$31.41	\$31.72	\$0.31	0.99%
Metro Excise Tax (MSW Only)	\$13.28	\$14.69	\$1.41	10.62%
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)	\$137.30	\$153.67	\$16.37	11.92%
Minimum Fee (MSW)	\$40.00	\$45.00	\$5.00	12.50%

Financial and budget Impacts: The fees established by this resolution are designed to raise \$127 million in enterprise revenue for FY 2024-25. WPES budget Operating and Materials (O&M) expenses are \$133 million for FY 2024-25.

BACKGROUND

Metro establishes the Solid Waste fees based on principles that are generally accepted and widely followed throughout the utility industry. Three key analyses are done: 1) revenue requirement - which identifies the total revenue to fully fund the department on a standalone basis; 2) cost of service - which establishes how to distribute the costs to the end user of the service (or customer class); and 3) fee design - which develops a fee structure that generates sufficient revenue to meet the system’s revenue requirement and Solid Waste Fee pricing objectives.

Figure 2. Financial policies for fee setting



Metro's fee development follows these guidelines but makes them *four* steps instead of three, to establish clear roles and responsibilities of the work performed by staff.

Metro Fee Development:

Step 1. Identify the revenue requirement – This step identifies the total annual financial obligations of the system. This information comes from the WPES FY 2024-25 *proposed* budget that includes the department's full operations and maintenance (O&M) costs, capital improvements and replacements and adheres to Metro fiscal policy compliance.

Most of the revenue requirement is driven by the following two areas:

Metro Disposal Service Costs: Metro owns two transfer stations that provide disposal services to commercial haulers, businesses, and the public. 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. Most of these costs are driven from the operation of the stations. Transport and disposal are all performed by private operators under long-term contracts with Metro.

Regional Programs: Metro provides or participates in solid waste services and programs with region-wide impact. These services include Metro's Community Stewardship program

(formally known as Regional Illegal Dumping), 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. The programs are explicitly included in the budget as:

- Clean-up
- Compliance and Regulation
- Grants and Services
- Local Government Funding
- Paint Recycling and Production
- Policy and Planning
- Waste Prevention Education and Leadership

Figure 4. Revenue Requirement from proposed budget

Solid Waste Revenue Fund	
CURRENT FY 2024-25 Proposed Budget	
Personnel Services	\$ 32,477,361
Materials & Services	78,711,214
Direct Transfers for Capital Asset Management	365,100
Indirect Transfers for internal cost allocation plan	20,296,890
Proposed Budget Current Expenditures (excluding Capital Outlay)	\$ 131,850,565
Total of reconciling items to match Fee Model	869,543
Total Revenue Requirement	\$ 132,720,108
TOTAL OPERATING EXPENSES IN THE MODEL	\$ 132,720,108

Revenue requirements are driven by the WPES budget for the disposal service, regional program needs and the administrative costs that allow these activities to happen.

Figure 5. Total amount of revenue to be recovered by the Metro fees

Revenue by Fee Type		2025
Staffed Transactions	\$	9,209,459
Automated Transactions		924,732
Mixed Solid Waste Tip Fee		60,060,629
Clean Wood Tip Fee		77,236
Yard Waste Tip Fee		772,507
Residential Organics Tip Fee		4,127,245
Commercial Organics Tip Fee		1,828,814
Regional System Fee Tip Fee		49,977,185
<i>Cleanup Material</i>		499,527
Total	\$	127,477,334

Step 2. Allocate costs – The fee process uses a cost-of-service approach that distributes costs based on the proportionate share of costs required to provide service. This step calculates (in the fee model) the functional cost allocation to different customer classes based on their unique demands for each service. This provides fee fairness through cost causation.

Indirect Costs: Administrative costs are identified in two different ways: the department's functional administrative costs and the Agency's cost to provide administrative central service support (internal cost allocation plan). These two administrative costs are allocated differently to reflect the different nature of which they are caused. Administrative costs from the department are allocated by how the staffing levels are applied to each program area. The Agency central service costs are allocated in a way that most directly reflect how the Agency allocates costs which is a blend of spending and staff allocations.

Direct Costs: The allocation methodology used identifies how expenses are allocated to the solid waste system functional areas including disposal and recovery, regional programs, sustainability, clean-up, and general policy and compliance. Allocations are based on staff time, tickets processed, floor area and tonnage. The allocation factor is designed to be an equitable expression of the how and why the cost is incurred. The cost-of-service details cost allocation for an additional layer of service by waste type: mixed solid waste, wood waste, yard debris, residential organics, and commercial organics. Costs associated with processing each waste type were reviewed and discussed with Metro staff and leadership.

This cost-of-service process is reviewed for the existing cost allocation approaches and identified changes and additional allocation factors used in the process. A sensitivity analysis indicating the fee impacts of alternative general and administrative cost allocations was included in the review.

Step 3. Forecast activity – This step estimates the waste unit activity in the region to forecast the solid waste activity anticipated for the upcoming fiscal year. Metro staff prepares a Solid Waste Forecast for waste unit activity in the region and projected anticipated levels of tonnage and transactions by material type at Metro transfer stations and private facilities. For the FY 2024-25 fee development, staff used the Fall 2023 forecast for unit information.

Step 4, Fee development and design – This step achieves required revenue levels by establishing fees and charges that accurately reflect the cost to provide a particular service. Unit costs were developed for each fee charged and were analyzed to identify any warranted shifts in cost burden that could improve equity between the fees and charges. The result of the cost-of-service process is a calculated fee for providing solid waste services. This process has a great deal of influence from Metro leadership and compliance to financial policies.

Figure 6. Recommended fees and charges for FY 2024-25

Description	Mixed Solid Waste	Clean Wood	Yard Debris	Residential Organics	Commercial Organics
Transaction Fee:					
Staffed Scalehouse	\$27.00	\$27.00	\$27.00	\$27.00	\$27.00
Automated Scalehouse	\$7.25	\$7.25	\$7.25	\$7.25	\$7.25
Tip Fee:					
Tonnage Charge	\$104.37	\$80.92	\$55.00	\$93.04	\$81.41
Regional System Fee	\$31.72	-	-	-	-
Excise Tax	\$14.69	-	-	-	-
DEQ Fees	\$1.89	-	-	-	-
Community Enhancement Fee	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Total Tip Fee	\$153.67	\$81.92	\$56.00	\$94.04	\$82.41
Min Load Fee (240 lbs.)	\$45.00	\$37.00	\$34.00	\$38.00	\$37.00

Fee Setting Criteria:

Per Metro Code 5.03.060, each year the Chief Operating Officer will propose fees to Council that will consider any solid waste fee setting criteria and fee setting policies adopted by Council.

Attachment 2 is the current fee setting criteria that will be adopted by Council, through this resolution.

Other Fee Considerations:

Metro assesses the regional system fee and excise tax on waste at the time of disposal. The amount of the fee and tax rate is calculated annually in accordance with Metro Code Chapters 5.02 and 7.01.

In general, Metro has a three-tiered fee and tax rate structure for waste that is transported directly to disposal sites.

- **Full Rate:** The full fee and tax rate, which is included as a component of Metro's transfer station charges, is assessed on most of the region's waste at the time of its disposal (such as household garbage, construction and demolition debris, etc.).

- Reduced Rate: The reduced fee and tax rate is generally assessed on contaminated “cleanup material” at the time of its disposal (such as contaminated soils, catch basin pumping, street sweepings, etc.).
- Exempt: There is a fee and tax exemption for any material that is recovered, recycled, or diverted away from disposal sites. Under certain circumstances, Metro may also waive fees and taxes for certain types of waste that are sent to disposal sites (such as under special exemption permits, tire processing residual, and “useful material” which includes alternative daily cover and road base used at a landfill).

Metro Code Section 5.02.070 states that the Chief Operating Officer must provide the Metro Council with an annual report indicating the amount of solid waste disposed under special exemption permits and the total lost revenue arising from the exemption permits granted during the fiscal year. 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 2022-23 is provide in **Attachment 1**.

ATTACHMENTS

- Resolution 24-5404
- Attachment 1 – Annual Credit and Exemptions Report for FY 2022-23
- Attachment 2 – 2024 Fee Setting Criteria
- Attachment 3 – Independent Review Letter

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

July 1, 2022 - June 30, 2023

Fiscal Year 2023

Reduced rate waste (cleanup material)		Tons
Type:		
Petroleum Contaminated Soil		197,706
Other		86,044
	total	<u><u>283,750</u></u>

Exempt waste		Tons
Generator:		
Columbia Steel Casting Co Inc		6,358
Evrax NA		1,364
Greenway Recycling		7,761
Metro Paint		866
Metro South		21
RA Roth / NW Shingle		0
RB Recycling		3,250
Rivergate Scrap Metals		11,665
Schnitzer Steel		67,128
Siltronics Corp		395
Synagro Technologies		756
Tire Disposal and Recycling		2,668
Tualatin Valley Waste Recovery		8,749
Willamette Resources Inc		3,021
	total	<u><u>114,003</u></u>

Special Exemption Permits		Tons
Generator:		
Oregon Department of Agriculture		2,421
(yard debris from beetle quarantined area - Wash Co) *	total	<u><u>2,421</u></u>

* No lost revenue as material would have normally been composted

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PCS
catch basin, street sweepings, contaminated soil - other

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industrial sludges
asbestos
asphaltic tear off
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auto shredder residue
auto shredder residue
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asphaltic tear off and glass
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credits queries are static because they both pull from the monthly report.

Fee Setting Criteria April 2024

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 below are based on recommendations from the Waste Fee Policy Task Force appointed by the Metro Council in FY2023-24. By adopting fees and the fee setting criteria, Council has reviewed the below fee setting criteria that are to be used during fee development.

Prioritized criteria in fee development:

Accessible and Equitable System: Fee setting should encourage public, private, and nonprofit investment in services that provide regional benefit, emphasizing geographic equity, access to service and a reduction in local environmental and human health impacts.

Healthy Environment: The fee structure should encourage keeping valuable materials out of the landfill, reducing climate and environmental impacts through highest material use, and safe disposal of hazardous waste.

Affordability: Fee setting should consider the economic effects and distribution of benefits to 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 nonresidential generators, as well as the economic effect on others in the region. Public-

Private System: Fees should give fair weight to the operational and capital needs of all providers: publicly owned, privately owned, and nonprofit.

The following criteria are important considerations, but are not prioritize as those above:

- A. **Predictability:** Metro fee adjustments should be predictable and orderly to allow local governments, haulers, and rate payers to perform effective planning.
- B. **Resilient Economy for All:** Fee setting should consider the economic effects of short- and long-term fee changes.
- C. **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.
- 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.



April 17, 2024

Metro

600 NE Grand Avenue
Portland, OR 97232-2736

Subject: Review of Fiscal Year 2024-2025 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) 2024-2025. 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 2024-2025. The review did not validate the accuracy of source documents or formulae and structure utilized in the Model.

The FY 2024-2025 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 2024-2025 projects revenues after increase to be sufficient to cover annual obligations and generate a positive cash flow. The cash flow is utilized to meet existing reserve policy targets and continue funding projected capital expenditures. 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.
 - » This year's model includes an updated tonnage forecast, reflecting the latest economic conditions and actual utilization of Metro's transfer stations. The tonnage forecast is key to the analysis and affects both revenues and expenses. Based on the updated projections, the overall tons are forecasted to increase compared to the prior year's Model, which has a net positive impact on rate revenue projections. It will be important to continue monitoring

April 2024

Metro

Review of FY 2024-2025 Solid Waste Disposal Fees

FCS GROUP Memorandum

- tonnage and its impact on both revenues and expenses and modify the projections as necessary if significant deviation in the forecast occurs.
- » The operating and maintenance (O&M) expense projection for this year's Model update does include the most recent contract with Recology Oregon Recovery – Central Inc. (Recology) for the Metro Central Transfer Station operations. The contract reflects updated costs from Recology to operate the Central Transfer Station.
 - » With the proposed fee adjustments, FY 2024-2025 ending cash balances are projected to meet or exceed minimum target levels.
- 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.
 - » Building onto the expanded O&M expense line-item budget detail that was added during the prior year's update, Metro has added additional detail to identify the capital related components of the budget (e.g., Operating Support & Planning, Engineering & Tech Support, etc.). The primary driver behind this cost separation was related to the fact that any capital-related expenses included in the O&M budget were not associated with the Regional System; therefore, cost should not be allocated to the Regional System Fee. Instead, the expenses were allocated to the municipal solid waste (MSW) cost pool.
 - » 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 fee, mixed solid waste, residential organics and commercial organics are phased-in to within 5.0 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, clean wood fees are projected to be within 37.0 percent of their cost-of-service, which is outside the 10.0 percent range of reasonableness. The updated contract for the Central Transfer Station increased the cost of wood processing impacting the results of the cost-of-service analysis compared to the prior year's Model. The yard waste fee is projected to be held constant to allow it to phase-in towards cost-of-service, which is projected to end the 5-year period within 12.0 percent of cost.
 - » 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 2024-2025 down to

April 2024
Metro
Review of FY 2024-2025 Solid Waste Disposal Fees

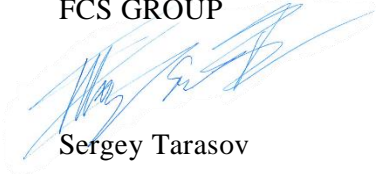
FCS GROUP Memorandum

\$713,000 in FY 2028-2029. 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