

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING	)	ORDINANCE NO. 99-805
METRO CODE CHAPTER 5.02 TO	)	
EXTEND THE SUNSET DATE FOR	)	Introduced by Mike Burton,
THE REGIONAL SYSTEM FEE CREDIT	)	Executive Officer
PROGRAM TO JUNE 30, 2000, AND	)	
DECLARING AN EMERGENCY.	)	

WHEREAS, Metro Ordinance No. 98-720A established the Regional System Fee Credit Program to help support material recovery through a performance and incentive-based system; and

WHEREAS, Preliminary analysis of the Regional System Fee Credit program indicates the program is meeting the program objective of supporting material recovery in the Metro Region; and

WHEREAS, The Regional Environmental Management Department will conduct a full evaluation of the Regional System Fee Credit Program's effectiveness in conjunction with its review of additional Metro solid waste rate reductions; and

WHEREAS, the results of this program evaluation and rate review will not be available until after the beginning of Fiscal Year 1999-2000; and

WHEREAS, the Regional System Fee Credit program is scheduled to expire on June 30, 1999, an emergency is declared to exist; and

WHEREAS, The ordinance was submitted to the Executive Officer for consideration and was forwarded to the Council for approval; now therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

SECTION 1. Metro Code Section 5.02.047 is amended to read:

5.02.047 Regional System Fee Credit

(a) A solid waste facility which is certified, licensed or franchised by Metro pursuant to Metro Code Chapter 5.01 and which attains a Facility Retrieval Rate of 10 percent or greater shall be allowed a credit against the Regional System Fee otherwise due each month under Section 5.02.045 for disposal of Processing Residuals from the facility. The Facility Retrieval Rate and the Recovery Rate shall be calculated for each six-month period before the month in which the credit is claimed. The amount of such credit shall be in accordance with and no greater than as provided on the following table:

System Fee Credit Schedule

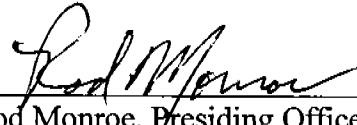
Recovery Rate		System Fee Credit of no more than
From Above	Up To & Including	
0%	20%	0.00
20%	25%	1.00
25%	30%	3.00
30%	35%	6.46
35%	40%	8.00
40%	45%	9.82
45%	100%	12.00

(b) The Executive Officer may establish additional administrative procedures regarding the Regional System Fee Credits, including, but not limited to establishing eligibility requirements for such credits and establishing incremental System Fee Credits associated with Recovery Rates which fall between the ranges set forth in paragraph (a) of this section.

(c) The provisions of this section are repealed June 30, ~~1999~~2000.

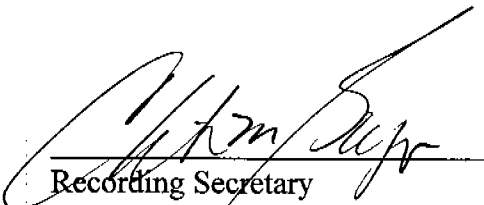
SECTION 2. This Ordinance being necessary for the public health, safety, and welfare of the Metro area, an emergency is hereby declared to exist. This ordinance shall take effect on July 1, 1999.


ADOPTED by the Metro Council this 3<sup>RD</sup> day of JUNE, 1999.

  
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Rod Monroe, Presiding Officer

ATTEST:

Approved as to Form:

  
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Recording Secretary

  
\_\_\_\_\_  
Daniel B. Cooper, General Counsel

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## REGIONAL ENVIRONMENTAL MANAGEMENT COMMITTEE REPORT

CONSIDERATION OF ORDINANCE NO. 99-805, FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.02 TO EXTEND THE SUNSET DATE FOR THE REGIONAL SYSTEM FEE CREDIT PROGRAM TO JUNE 30, 2000 AND DECLARING AN EMERGENCY

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Date: May 19, 1999

Presented by: Councilor Park

**Committee Recommendation:** At its May 19 meeting, the Committee considered Ordinance No. 99-805 and voted 2-0 to send the resolution to the Council with a do pass recommendation. Voting in favor: Councilor Park and Chair Washington. Councilor McLain was absent.

**Committee Issues/Discussion:** Terry Petersen, Interim REM Director, presented the staff report. He explained that the Council had established a regional system fee credit for private recycling and recovery facilities based on their recovery rates. Prior to the establishment of this program, such facilities paid a flat rate and a penalty if their recycling rate fell below a specific rate. Petersen noted that the new fee credit was designed to provide more of an incentive to increase the facility's recycling rates. Petersen indicated that the current program was adopted with a sunset date of June 30, 1999. Staff is proposing to push back the sunset date to June 30, 2000 to allow staff to better assess the effect of the program.

Petersen provided data on the current status of the program. He noted that the program was budgeted for \$900,000 for the current fiscal year. To date, a total of \$618,000 in credits have been allocated. Seven facilities have received credits ranging from \$17,000 to \$306,000. The recycling rates at these facilities ranges from 21% to 62%.

Chair Washington asked how the credit is provided. Petersen responded that the facilities do not receive cash from Metro, but, instead the credit is used to reduce the amount of the regional system fee owed by the facility.

Councilor Park asked for a clarification about where the funding for the credit comes from. Petersen answered that the funds come from the undesignated portion of the solid waste fund balance. This portion of the fund balance is currently \$8.4, including a reduction of \$900,000 for the fee credit portion. Petersen noted that the department is working to reduce this undesignated amount and therefore, the cost of the fee credit program is not replenished annually.

**EXECUTIVE SUMMARY**  
**ORDINANCE 99-805**  
REGIONAL SYSTEM FEE CREDIT PROGRAM  
Sunset Date Extension

**PROPOSED ACTION**

Extends the Regional System Fee Credit program sunset date to June 30, 2000.

**WHY NECESSARY**

- In a continuing effort to encourage recycling and recovery in the Metro Region, the Regional System Fee Credit Program, a recovery-based incentive program, was adopted by the Metro Council and implemented in conjunction with the 1998 disposal rate reduction.
- The credit program was initiated as a one-year pilot project, with a June 30, 1999 sunset date.
- The requested REM FY 1999-2000 Budget proposes extension of the Regional System Fee Credit Program until June 30, 2000 in order to allow time for an evaluation of the program and analysis and implementation of recommendations resulting from the evaluation.

**ISSUES/CONCERNS**

- Based upon a preliminary analysis of the Regional System Fee Credit Program, REM staff concluded that the program was meeting its objective. The Budget Advisory and the subsequent Rate Review Committee recommended that a full year of experience was needed to make any assessment.
- An evaluation of the Regional System Fee Credit Program is presently underway. We expect to complete the study at the beginning of FY 1999-2000, in time to use the results in the review of Metro solid waste rates.
- The Department will bring forward recommendations on both solid waste rates and the Regional System Fee Credit Program for the Council's consideration during the first quarter of FY 1999-2000.

**BUDGET/FINANCIAL IMPACTS**

- The requested FY 1999-2000 Budget proposes funding the Regional System Fee Credit Program with \$900,000 from the Undesignated Fund Balance of the Solid Waste Revenue fund.
- The FY 1999-2000 Budget request reflects no proposed changes in funding amount or source for this program from the adopted FY 1998-99 Budget.

## STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 99-805, FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.02 TO EXTEND THE SUNSET DATE FOR THE REGIONAL SYSTEM FEE CREDIT PROGRAM TO JUNE 30, 2000, AND DECLARING AN EMERGENCY.

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Date: April 16, 1999

Presented by: Terry Petersen,  
Leann Linson

### **PROPOSED ACTION**

Adopt Ordinance No. 99-805.

The Metro Executive Officer recommends adoption of Ordinance No. 99-805, extending the sunset date of the Regional System Fee Credit Program one year to June 30, 2000.

### **FACTUAL BACKGROUND AND ANALYSIS**

In a continuing effort to encourage recycling and recovery in the Metro Region, the Regional System Fee Credit Program, a recovery-based incentive program, was adopted by the Metro Council and implemented in conjunction with the 1998 disposal rate reduction. The incentive program replaced a punitive program that charged an enforcement fee to Material Recovery Facilities (MRFs) not meeting a prescribed recovery rate. The Regional System Fee Credit Program was introduced to help MRFs to transition to the lower disposal fees, which have reduced the margin between MRF revenue and cost. The credits vary as a function of each facility's recovery rate to further encourage recovery. The higher a facility's recovery rate, the higher the Regional System Fee Credit.

The Regional System Fee Credit Program was adopted by the Metro Council and initiated as a one-year pilot project, with a June 30, 1999 sunset date. Continuation of the program is, in part, contingent on evaluation of the program and its funding source. For Fiscal Year 1998-99, the Regional System Fee Credit Program was budgeted to use \$900,000 of the Undesignated Fund Balance of Metro's Solid Waste Fund. The requested REM FY 1999-2000 budget proposes extension of the Regional System Fee Credit Program until June 30, 2000 at the current funding level of \$900,000 in order to allow time for an evaluation of the program and analysis and implementation of recommendations resulting from the evaluation.

#### **Program Evaluation**

At the time the REM FY 1999-2000 proposed budget was submitted, Department staff intended to conduct an evaluation of the Regional System Fee Credit Program within the first six months of the new fiscal year. Since then, negotiations with Waste Management, Inc. have concluded and the Council has adopted Change Order 8, which should result in substantial disposal savings. Because a portion of these savings may be allocated to further reduction of Metro's solid waste disposal rates, which could further impact the margin between MRF revenues and costs, the Department has moved the schedule for evaluation of the Regional System Fee Credit Program forward. The study is expected to be completed at the beginning of FY 1999-2000, in time to use the results in the review

of Metro solid waste rates. The Department intends to bring forward recommendations on both solid waste rates and the Regional System Fee Credit Program for the Council's consideration during the first quarter of FY 1999-00.

### **FISCAL IMPACT**

Continuation of the Regional System Fee Credit Program through FY 1999-2000 results in no projected variance from the requested FY 1999-00 budget. The FY 1999-00 budget request proposes no changes in funding amount or source for this program from the adopted FY 1998-99 Budget. The requested FY 1999-00 budget proposes funding the Regional System Fee Credit Program with \$900,000 from the Undesignated Fund Balance of the Solid Waste Revenue fund.

### **EXECUTIVE OFFICER RECOMMENDATION**

The Executive Officer recommends approval of Ordinance No. 99-805.

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