



DAN JOHNSON  
DIRECTOR

DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT  
DEVELOPMENT SERVICES BUILDING  
150 BEAVERCREEK ROAD OREGON CITY, OR 97045

## MEMORANDUM

TO: Board of County Commissioners  
FROM: Dan Johnson – DTD Director; Cheryl Bell – DTD Assist. Director  
CC: Eben Polk – Sustainability & Solid Waste Manager  
Date: April 5, 2022  
RE: Metro Solid Waste Fee Setting Update #2

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At the March 29, 2022 Issues session, staff presented a summary of recent engagement regarding Metro's disposal fee-setting process, and provided options for continued engagement as Metro finalizes the fees as part of their budget process. The Board directed staff to draft a comment letter, monitor two Metro meetings, and analyze the impact of projected Metro fee increases on our garbage and recycling collection fees.

### Recent Developments

When staff presented at Issues on March 29, 2022, Metro had two proposed engagement sessions planned to discuss disposal fees and the fee-setting process. Staff attended these sessions; they are summarized below:

- **MPAC Meeting; March 30, 2022** – An presentation on upcoming budget and fee engagement opportunities was scheduled, but pulled from the agenda as time was needed for other agenda items. An outline of upcoming points of engagement was in the staff report for the meeting.
- **Metro Council Special Work Session; March 31, 2022** – Metro Council held a work session to consider scenarios for disposal fee increases through 2027. The three options were:
  - status quo
  - 'fee predictability' (consistent increases); and
  - more capital investment.

The recommended approach, which was approved, was 'fee predictability' that included successive increases ranging from 7.1% to 7.9% through 2027. (In July 2022, two of the three main components of the disposal fee, the Regional System Fee and the tip fee, would increase 15% and 7% respectively, from the current year). The net effect would be a 67% disposal fee increase from 2020 to 2027, reaching \$164.45 per ton in 2027. **Slides and the report from the presentation are in Attachment A.**

Information about these Metro sessions, including videos of December, January and March meetings, and a FAQs (Attachment B) are at: <https://www.oregonmetro.gov/metros-solid-waste-fee-setting-process>.

### Collection Fee Impacts

Metro waste disposal fees are approximately 30% of the cost of garbage and recycling collection for Clackamas County ratepayers. The following table estimates the 30% share of our monthly collection fees driven by projected Metro disposal fees under the scenario approved by Metro Council on March 31, 2022.

Staff estimates that under this scenario, by 2027 the portion of the monthly collection fees from Metro disposal costs would be \$9.30, or \$2.79 per month more than now. Since other collection costs (e.g. fuel, labor, equipment, new collection services) will also rise through 2027, they will contribute to fee increases.

Solid Waste Disposal Fee Scenario Recommended at Metro Council Work Session 3/31/22						
	Current	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Projected Per Ton Metro Disposal Fee (effective July 1)</b>	\$115.15	\$123.29	\$132.93	\$143.46	\$153.60	\$164.45
\$ Increase		\$8.14	\$9.64	\$10.53	\$10.14	\$10.85
% Increase		7.1%	7.8%	7.9%	7.1%	7.1%
<i>*2021 represented 2 years of actual increase; transaction fee increased from \$2 to \$2.50, not included here.</i>						
County Collection Fee Impacts						
Projected Portion of Monthly 32 gal Collection Service from Disposal Fee*	\$6.51	\$6.97	\$7.52	\$8.11	\$8.69	\$9.30
Per Month \$ Increase to Collection Fee from the Disposal Fee Increase		\$0.46	\$0.55	\$0.60	\$0.57	\$0.61
<i>*Includes Franchise Fee + Margin</i>						

### Next Engagement Opportunities

With the Metro disposal fees set as part of the budget process, following are remaining engagement opportunities. Direct testimony can be provided at the public hearings.

- April 5, 2022 (10:30 am): **Public hearing** by Metro Council on the proposed budget
- April 7, 2022 (10:40 am): Metro’s Waste Prevention & Environmental Services Department budget presented to Metro Council. Public is invited to listen.
- April 14, 2022: **Public hearing** as the Metro Council Budget Committee deliberates on proposed budget; opportunity for discussion and changes to the budget by the Budget Committee
- May 3, 2022: **Public hearing** as Metro Council Budget Committee deliberates on the proposed budget; opportunity for discussion on questions and budget committee changes to the budget.

Metro is scheduled to adopt its budget on May 5, 2022.

### Options

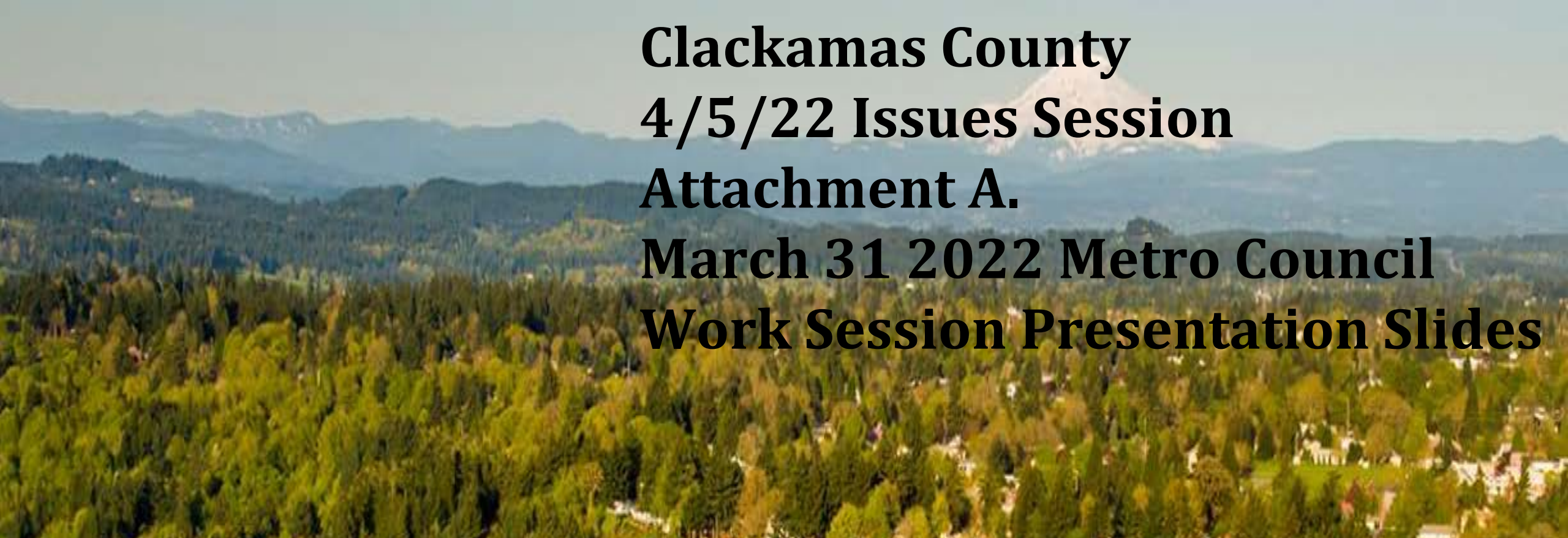
1. **Letter** -- As directed by the Board in Issues on March 29, 2022, staff drafted a letter (Attachment C) that the Board can send to Metro to express County concerns regarding disposal fees, coordination, and regional revenue sharing.
2. **Provide testimony at Metro budget meetings** -- As outlined above, there are three upcoming opportunities to provide direct testimony to Metro Council. If the Board wishes to do so, staff will develop and provide talking points.

### Recommendation

Staff respectfully recommend option 1 as a first step, to send the letter drafted as directed on March 29 (Attachment C). Staff will include any requested edits to the letter as recommended by the Board.

### Attachments

- A. March 31 Metro Council Work Session - Presentation Slides and Staff Report
- B. FAQ (Metro Disposal Fee / WPES Budget FAQs, after January listening session)
- C. Draft Letter to Metro Councilors



**Clackamas County  
4/5/22 Issues Session  
Attachment A.  
March 31 2022 Metro Council  
Work Session Presentation Slides**

**Solid Waste Fee Setting Approach and Policy Discussion**

# Presentation Overview

Recap from December work sessions  
Review fee setting approach  
Proposed revisions to fee setting criteria  
Updated scenarios and policy discussion



# Summary of December Work Session

Presentation of four scenarios:

Scenario 1: Status Quo

Scenario 2: Smoothing Over 5 years

Scenario 3: Fully Fund Capital Improvement Plan

Scenario 4: Public Facility Cost Sharing



# 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



# Proposed Updates to Fee Setting Criteria

## Values

- Consistency
- Affordability (Updated)
- Waste Reduction
- Predictability

## Financial Best Practices

- Revenue Adequacy
- Service Provision (Updated)
- Administration (Updated)
- Credit Rating Impacts
- Authority to Implement
- Reliability
- Transparency (NEW)







# Solid Waste Fee Scenarios





# Policy considerations and levers

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



# Fee Scenarios Overview

**Scenario 1: Status Quo**

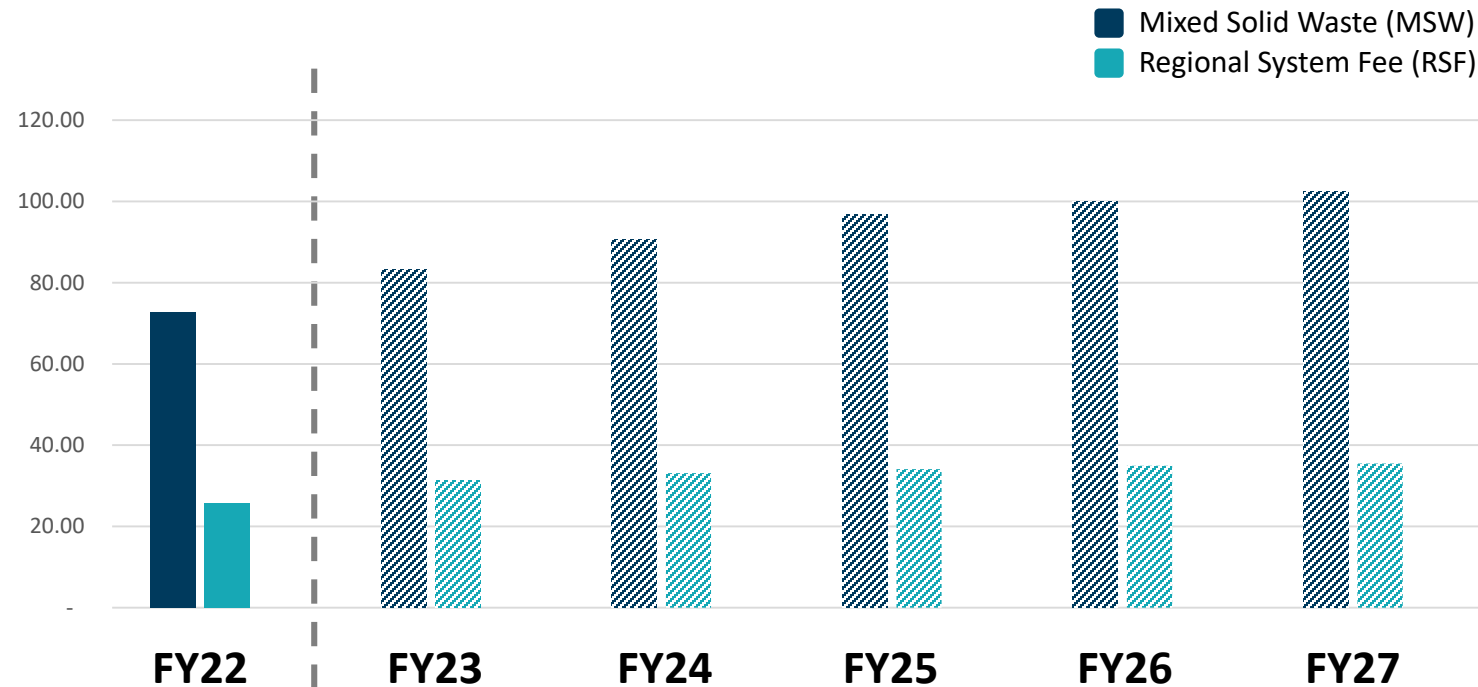
**Scenario 2: Fee Predictability**

**Scenario 3: Existing Facility Investment**



# Scenario 1: Status Quo

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



**Tip Fee**    \$115.15    \$130.36    \$139.49    \$146.58    \$150.70    \$153.57

## Assumptions & Levers

- Single year focus
- Fully funding **Capital Improvement Plan** without new facility costs and \$8M of debt
- Includes updated CPI and average OR fuel costs from 3/4/22

First year (FY23) fees



MSW

**\$83.31**



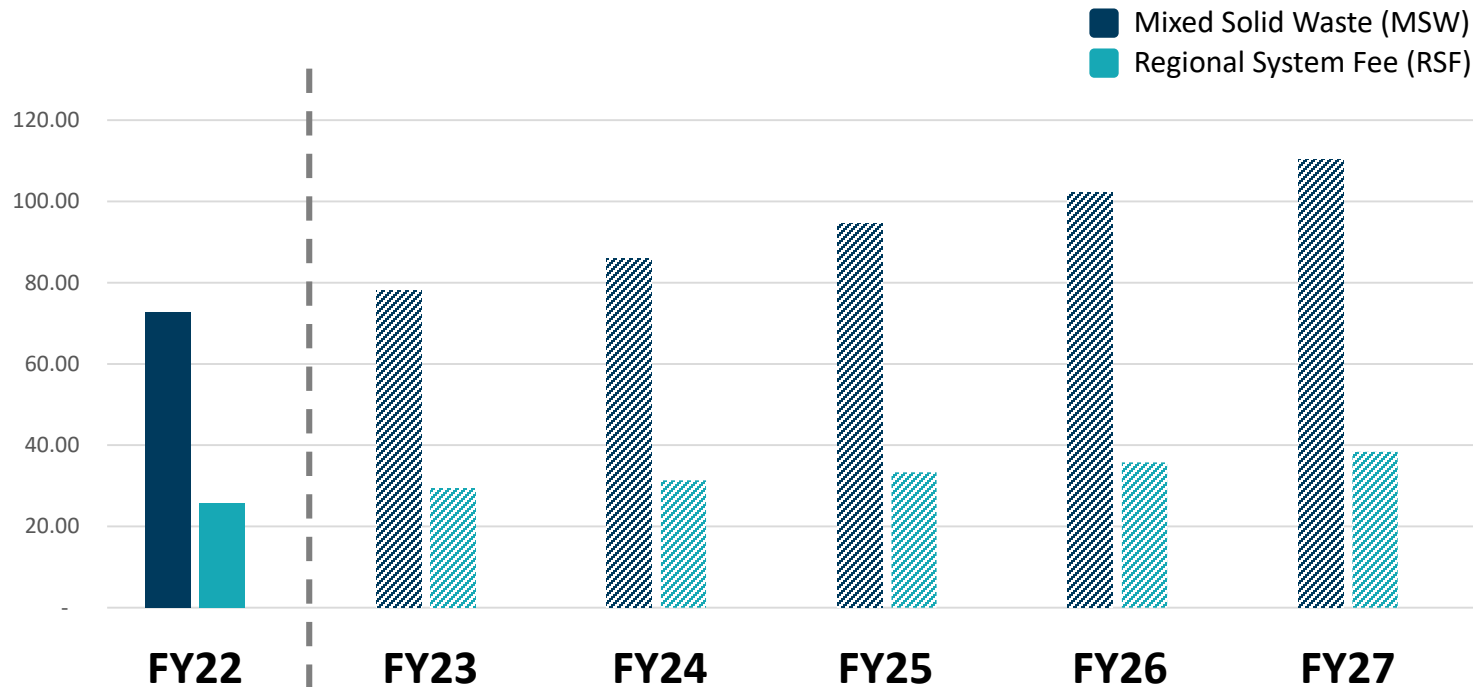
RSF

**\$31.36**



# Scenario 2: Fee Predictability

Fees are set to ensure consistent total tip fee increase of 7-8% each year for 5 years



**Tip Fee**    \$115.15    \$123.29    \$132.93    \$143.46    \$153.60    \$164.45

## Assumptions & Levers

- 5-year focus
- Operating reserves adhere to fiscal policy
- Discounted capital spending to current levels
- Includes updated CPI and average OR fuel costs from 3/4/22

First year (FY23) fees



MSW

**\$78.17**

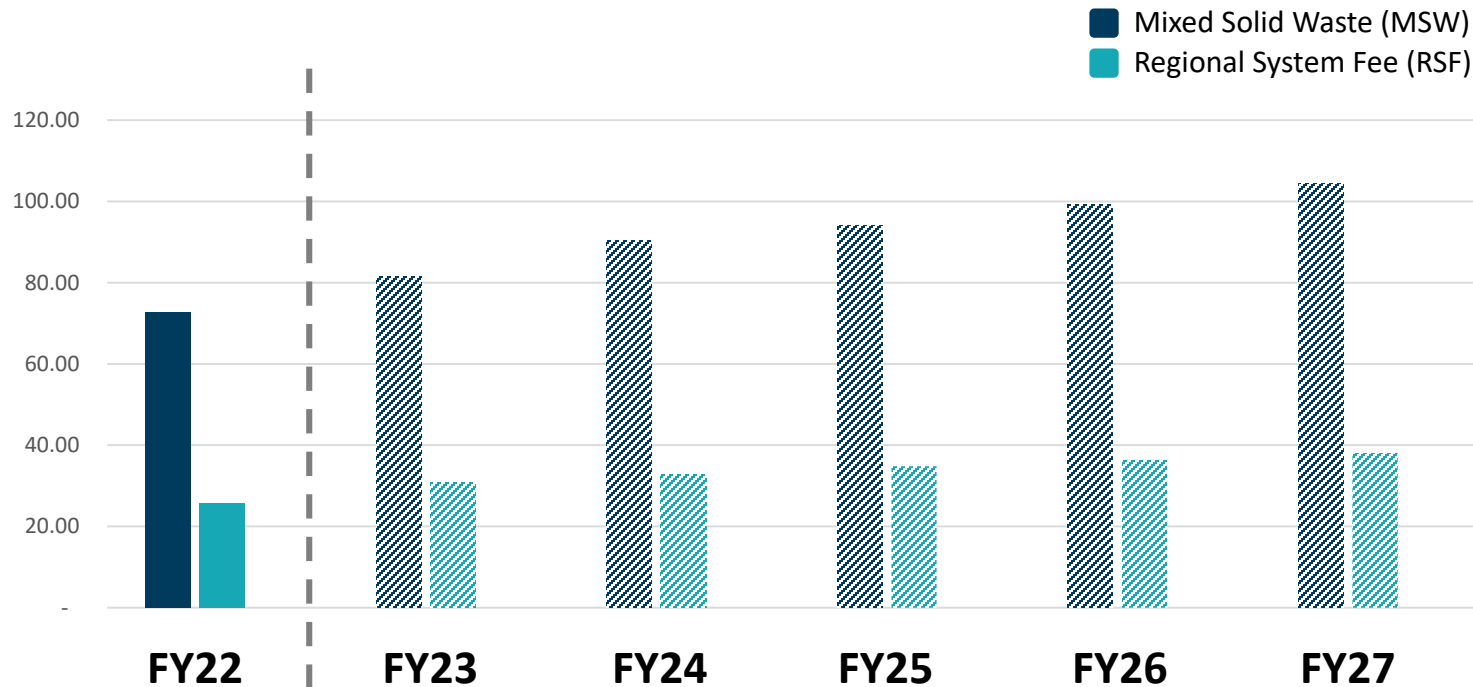


RSF

**\$29.43**

# Scenario 3: Existing Facility Investment

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



**Tip Fee**    \$115.15    \$127.97    \$138.76    \$144.62    \$151.25    \$158.15

## Assumptions & Levers

- Single year focus
- Fully funding Capital Improvement Plan for facility investments and \$48M of debt
- Includes updated CPI and average OR fuel costs from 3/4/22

First year (FY23) fees



MSW

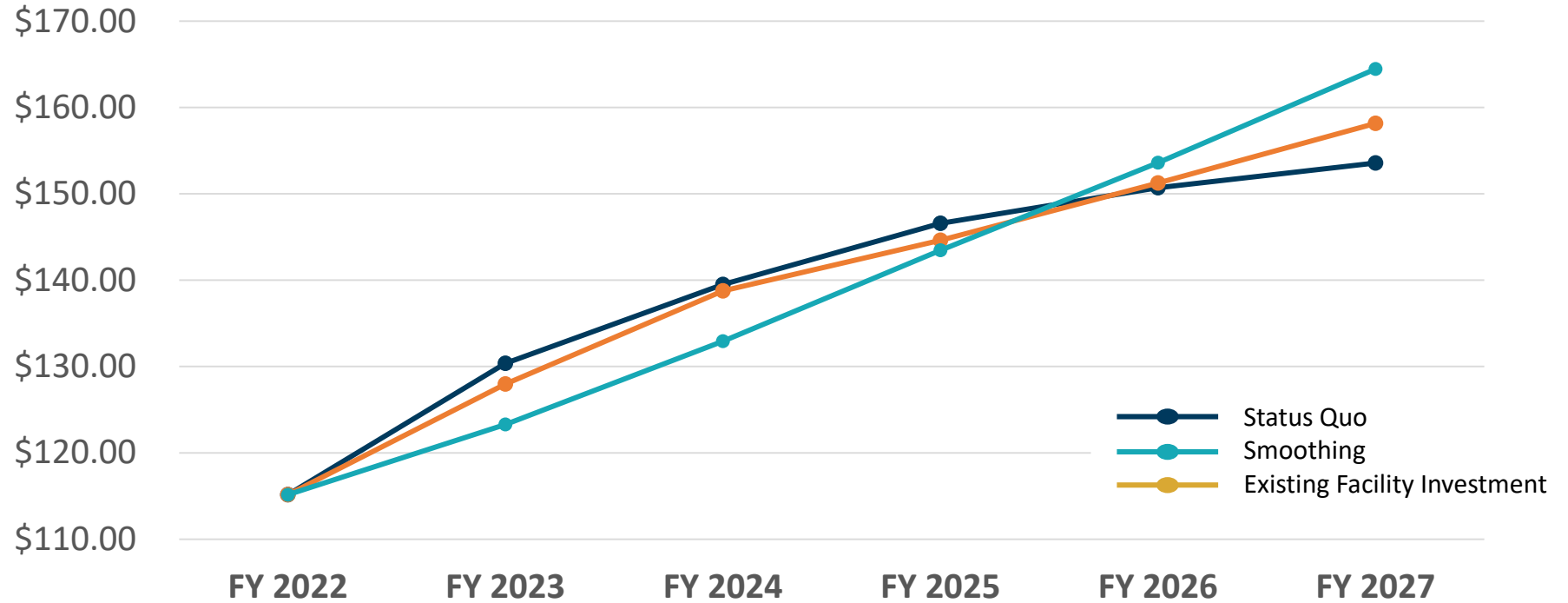
**\$81.57**



RSF

**\$30.71**

# Comparison Table



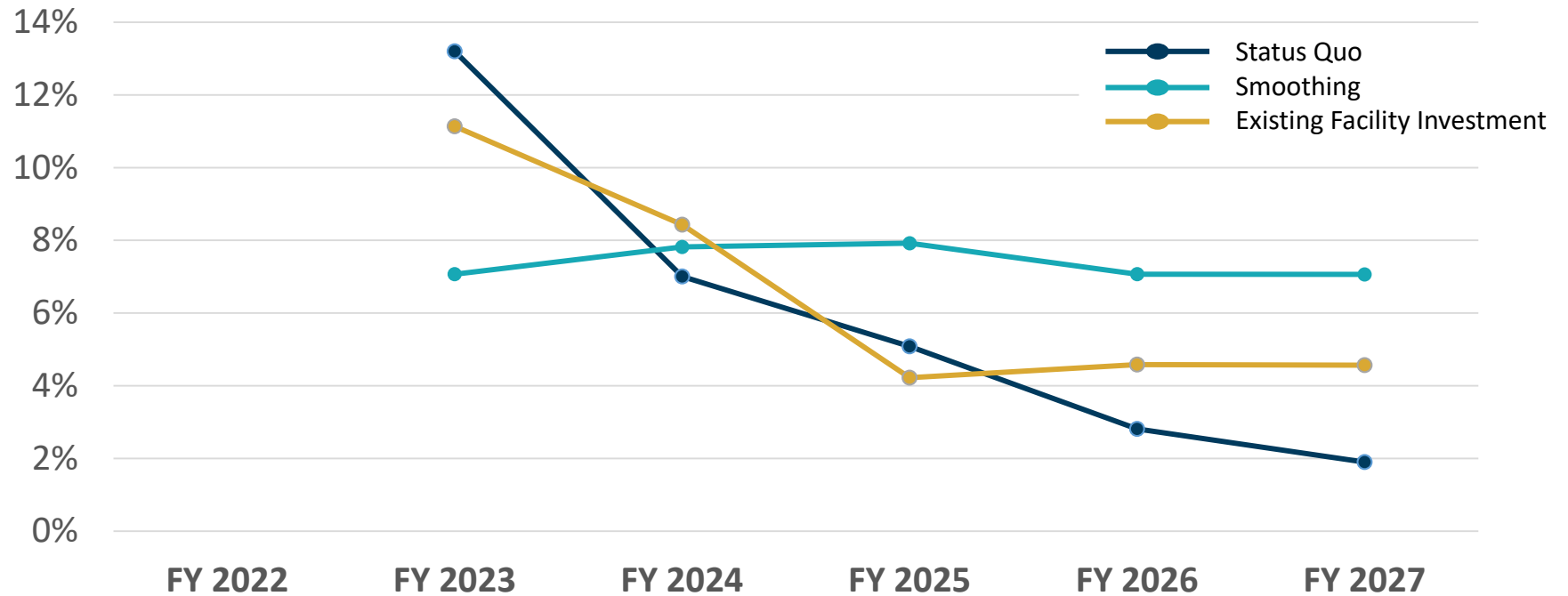
## Tip Fee % Change Year to Year

Status Quo  
 Fee Predictability  
 Existing Facility Investment

\$ 115.15	\$ 130.36	\$ 139.49	\$ 146.58	\$ 150.70	\$ 153.57
\$ 115.15	\$ 123.29	\$ 132.93	\$ 143.46	\$ 153.60	\$ 164.45
\$ 115.15	\$ 127.97	\$ 138.76	\$ 144.62	\$ 151.25	\$ 158.15



# Comparison Table



## Total Tip Fee

Status Quo

Fee Predictability

Existing Facility Investment

n/a	<b>13.2%</b>	<b>7.0%</b>	<b>5.1%</b>	<b>2.8%</b>	<b>1.9%</b>
n/a	<b>7.1%</b>	<b>7.8%</b>	<b>7.9%</b>	<b>7.1%</b>	<b>7.1%</b>
n/a	<b>11.1%</b>	<b>8.4%</b>	<b>4.2%</b>	<b>4.6%</b>	<b>4.6%</b>

# Comparison Table

**1**

**Status Quo**

**2**

**Fee Predictability**

**3**

**Existing Facility  
Investment**

<b>Policy driver(s)</b>	<b>Maintaining service levels</b>	<b>Predictable fee increases</b>	<b>Taking care of public facilities</b>
<b>Reserve fund</b>	3 years below FY27 \$42.1M	2 years below FY27 \$42.1M	2 years below FY27 \$42.0M
<b>First Year MSW increase</b>	\$4.82	\$5.54	\$6.64
<b>First Year RSF increase</b>	\$1.23	\$1.48	\$1.86

# Policy Considerations

Level of service

Degree of fee predictability

Level of capital investments

No change to cost responsibility/  
public goods





# Proposed approach

- Endorse fee predictability approach to stabilize fees across next five years.
- Limit fee increase to 7-8%.
- Council directs staff to propose a process to review overall methodology including allocations of cost to various fees and recovered materials.

# COO Recommendation

## Scenario 2: Fee Predictability

	FY22	FY23	FY24	FY25	FY26	FY27
Mixed solid waste fee	\$72.81	\$78.17	\$85.87	\$94.46	\$102.15	\$110.39
Regional System Fee	\$25.65	\$29.43	\$31.37	\$33.31	\$35.76	\$38.37
Other fees and taxes	\$16.69	\$15.69	\$15.69	\$15.69	\$15.69	\$15.69
Total Tip Fee at Metro stations	\$115.15	\$123.29	\$132.93	\$143.46	\$153.60	\$164.45
% Increase		7.1%	7.8%	7.9%	7.1%	7.1%

# Proposed changes to other fees FY 2022-23

	Existing 2022	Proposed 2023	Difference	
			(\$)	(%)
<b>Minimum Fee (MSW)</b>	\$35.00	\$40.00	\$5.00	14.29%
<b>Transaction Fees</b>				
<i>Staffed Scalehouse</i>	\$14.50	\$18.00	\$3.50	24.14%
<i>Automated Scalehouse</i>	\$2.75	\$4.25	\$1.50	54.55%
<b>Tipping Fees</b>				
<i>Clean Wood</i>	\$64.23	\$66.90	\$2.67	4.16%
<i>Yard Debris</i>	\$55.00	\$55.00	\$0.00	0.00%
<i>Residential Organics</i>	\$76.99	\$82.38	\$5.39	7.00%
<i>Commercial Organics</i>	\$65.23	\$69.80	\$4.57	7.00%

# Next steps

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



# 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?



Metro



# Clackamas County 4/5/22 Issues Session Attachment A (cont). March 31 2022 Metro Council Work Session Presentation Staff Report



Metro  
600 NE Grand Ave.  
Portland, OR 97232-2736

## Council work session agenda

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Thursday, March 31, 2022 10:45 AM <https://zoom.us/j/615079992> (Webinar ID: 615079992) or 888-475-4499 (toll free)

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Please note: To limit the spread of COVID-19, Metro Regional Center is now closed to the public. This work session will be held electronically.

You can join the meeting on your computer or other device by using this link: <https://zoom.us/j/471155552> (Webinar ID: 471155552) or by calling or 877-853-5257 (toll free).

If you wish to attend the meeting, but do not have the ability to attend by phone or computer, please contact the Legislative Coordinator at least 24 hours before the noticed meeting time by phone at 503-797-1916 or email at [legislativecoordinator@oregonmetro.gov](mailto:legislativecoordinator@oregonmetro.gov).

### 10:45 Call to Order and Roll Call

#### Work Session Topics:

10:50 Solid Waste Fee-Setting Follow-up [22-5678](#)

Presenter(s): Marissa Madrigal (she/her), Metro  
Brian Kennedy (he/him), Metro

Attachments: [Staff Report - Solid Waste Fee Setting March 2022](#)

11:50 2030 Regional Waste Plan Measurement Framework and Progress Report [22-5679](#)

Presenter(s): Luis Sandoval (He/Him) , Metro  
Marta McGuire (She/Her), Metro

Attachments: [Regional-waste-plan-progress-report-Jan-2022](#)

### 11:55 Chief Operating Officer Communication

### 12:00 Councilor Communication

### 12:05 Adjourn

# Metro respects civil rights

Metro fully complies with Title VI of the Civil Rights Act of 1964 and related statutes that ban discrimination. If any person believes they have been discriminated against regarding the receipt of benefits or services because of race, color, national origin, sex, age or disability, they have the right to file a complaint with Metro. For information on Metro’s civil rights program, or to obtain a discrimination complaint form, visit [www.oregonmetro.gov/civilrights](http://www.oregonmetro.gov/civilrights) or call 503-797-1536. Metro provides services or accommodations upon request to persons with disabilities and people who need an interpreter at public meetings. If you need a sign language interpreter, communication aid or language assistance, call 503-797-1700 or TDD/TTY 503-797-1804 (8 a.m. to 5 p.m. weekdays) 5 business days before the meeting. All Metro meetings are wheelchair accessible. For up-to-date public transportation information, visit TriMet’s website at [www.trimet.org](http://www.trimet.org).

### Thông báo về sự Metro không kỳ thị của

Metro tôn trọng dân quyền. Muốn biết thêm thông tin về chương trình dân quyền của Metro, hoặc muốn lấy đơn khiếu nại về sự kỳ thị, xin xem trong [www.oregonmetro.gov/civilrights](http://www.oregonmetro.gov/civilrights). Nếu quý vị cần thông dịch viên ra dấu bằng tay, trợ giúp về tiếp xúc hay ngôn ngữ, xin gọi số 503-797-1700 (từ 8 giờ sáng đến 5 giờ chiều vào những ngày thường) trước buổi họp 5 ngày làm việc.

### Повідомлення Metro про заборону дискримінації

Metro з повагою ставиться до громадянських прав. Для отримання інформації про програму Metro із захисту громадянських прав або форми скарги про дискримінацію відвідайте сайт [www.oregonmetro.gov/civilrights](http://www.oregonmetro.gov/civilrights). або Якщо вам потрібен перекладач на зборах, для задоволення вашого запиту зателефонуйте за номером 503-797-1700 з 8.00 до 17.00 у робочі дні за п'ять робочих днів до зборів.

### Metro 的不歧視公告

尊重民權。欲瞭解Metro民權計畫的詳情，或獲取歧視投訴表，請瀏覽網站 [www.oregonmetro.gov/civilrights](http://www.oregonmetro.gov/civilrights)。如果您需要口譯方可參加公共會議，請在會議召開前5個營業日撥打503-797-1700（工作日上午8點至下午5點），以便我們滿足您的要求。

### Ogeysiiska takooris la'aanta ee Metro

Metro waxay ixtiraamtaa xuquuqda madaniga. Si aad u heshid macluumaad ku saabsan barnaamijka xuquuqda madaniga ee Metro, ama aad u heshid warqadda ka cabashada takoorista, booqo [www.oregonmetro.gov/civilrights](http://www.oregonmetro.gov/civilrights). Haddii aad u baahan tahay turjubaan si aad uga qaybqaadatid kullanka dadweynaha, wac 503-797-1700 (8 gallinka hore illaa 5 gallinka dambe maalmaha shaqada) shan maalmo shaqo ka hor kullanka si loo tixgaliyo codsashadaada.

### Metro의 차별 금지 관련 통지서

Metro의 시민권 프로그램에 대한 정보 또는 차별 항의서 양식을 얻으려면, 또는 차별에 대한 불만을 신고 할 수 [www.oregonmetro.gov/civilrights](http://www.oregonmetro.gov/civilrights). 당신의 언어 지원이 필요한 경우, 회의에 앞서 5 영업일 (오후 5시 주중에 오전 8시) 503-797-1700를 호출합니다.

### Metroの差別禁止通知

Metroでは公民権を尊重しています。Metroの公民権プログラムに関する情報について、または差別苦情フォームを入手するには、[www.oregonmetro.gov/civilrights](http://www.oregonmetro.gov/civilrights)。までお電話ください。公開会議で言語通訳を必要とされる方は、Metroがご要請に対応できるよう、公開会議の5営業日前までに503-797-1700（平日午前8時～午後5時）までお電話ください。

### សេចក្តីជូនដំណឹងអំពីការមិនរើសអើងរបស់ Metro

ការគោរពសិទ្ធិពលរដ្ឋរបស់ ។ សំរាប់ព័ត៌មានអំពីកម្មវិធីសិទ្ធិពលរដ្ឋរបស់ Metro ឬស្នើសុំទទួលបានកម្មប្រព័ន្ធរើសអើងសូមចុះលេខស្នើសុំនៅទីកន្លែង [www.oregonmetro.gov/civilrights](http://www.oregonmetro.gov/civilrights)។ បើលោកអ្នកត្រូវការអ្នកបកប្រែភាសានៅពេលអង្គប្រជុំសាធារណៈ សូមទូរស័ព្ទមកលេខ 503-797-1700 (ម៉ោង 8 ព្រឹកដល់ម៉ោង 5 ល្ងាច ថ្ងៃធ្វើការ) ប្រាំពីរថ្ងៃ ថ្ងៃធ្វើការ មុនថ្ងៃប្រជុំស្នើសុំអាចឲ្យគេសម្រួលតាមសំណើរបស់លោកអ្នក ។

### إشعار بعدم التمييز من Metro

تحتزم Metro الحقوق المدنية. للمزيد من المعلومات حول برنامج Metro للحقوق المدنية أو لإيداع شكوى ضد التمييز، يُرجى زيارة الموقع الإلكتروني [www.oregonmetro.gov/civilrights](http://www.oregonmetro.gov/civilrights). إن كنت بحاجة إلى مساعدة في اللغة، يجب عليك الاتصال مقدماً برقم الهاتف 503-797-1700 (من الساعة 8 صباحاً حتى الساعة 5 مساءً، أيام الاثنين إلى الجمعة) قبل خمسة (5) أيام عمل من موعد الاجتماع.

### Paunawa ng Metro sa kawalan ng diskriminasyon

Iginagalang ng Metro ang mga karapatang sibil. Para sa impormasyon tungkol sa programa ng Metro sa mga karapatang sibil, o upang makakuha ng porma ng reklamo sa diskriminasyon, bisitahin ang [www.oregonmetro.gov/civilrights](http://www.oregonmetro.gov/civilrights). Kung kailangan ninyo ng interpreter ng wika sa isang pampublikong pulong, tumawag sa 503-797-1700 (8 a.m. hanggang 5 p.m. Lunes hanggang Biyernes) lima araw ng trabaho bago ang pulong upang mapagbigyan ang inyong kahilingan.

### Notificación de no discriminación de Metro

Metro respeta los derechos civiles. Para obtener información sobre el programa de derechos civiles de Metro o para obtener un formulario de reclamo por discriminación, ingrese a [www.oregonmetro.gov/civilrights](http://www.oregonmetro.gov/civilrights). Si necesita asistencia con el idioma, llame al 503-797-1700 (de 8:00 a. m. a 5:00 p. m. los días de semana) 5 días laborales antes de la asamblea.

### Уведомление о недопущении дискриминации от Metro

Metro уважает гражданские права. Узнать о программе Metro по соблюдению гражданских прав и получить форму жалобы о дискриминации можно на веб-сайте [www.oregonmetro.gov/civilrights](http://www.oregonmetro.gov/civilrights). Если вам нужен переводчик на общественном собрании, оставьте свой запрос, позвонив по номеру 503-797-1700 в рабочие дни с 8:00 до 17:00 и за пять рабочих дней до даты собрания.

### Avizul Metro privind nediscriminarea

Metro respectă drepturile civile. Pentru informații cu privire la programul Metro pentru drepturi civile sau pentru a obține un formular de reclamație împotriva discriminării, vizitați [www.oregonmetro.gov/civilrights](http://www.oregonmetro.gov/civilrights). Dacă aveți nevoie de un interpret de limbă la o ședință publică, sunați la 503-797-1700 (între orele 8 și 5, în timpul zilelor lucrătoare) cu cinci zile lucrătoare înainte de ședință, pentru a putea să vă răspunde în mod favorabil la cerere.

### Metro txoj kev ntxub ntxaug daim ntawv ceeb toom

Metro tributes cai. Rau cov lus qhia txog Metro txoj cai kev pab, los yog kom sau ib daim ntawv tsis txaus siab, mus saib [www.oregonmetro.gov/civilrights](http://www.oregonmetro.gov/civilrights). Yog hais tias koj xav tau lus kev pab, hu rau 503-797-1700 (8 teev saww ntxov txog 5 teev tsaus ntuj weekdays) 5 hnub ua hauj lwu ua ntej ntwam lub rooj sib tham.



**Solid Waste Fee-Setting Follow-up**

*Work Session Topic*

Metro Council Work Session

Thursday, April 31, 2022

## SOLID WASTE FEE SETTING: CRITERIA TO INFORM AND GUIDE DECISION MAKING ON FEE SETTING AND FEE SCENARIO APPROACH

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Date: March 15, 2022

Department: Waste Prevention and Environmental Services and Finance and Regulatory Services

Meeting Date: March 31, 2022

Prepared by: Cinnamon Williams,  
[cinnamon.williams@oregonmetro.gov](mailto:cinnamon.williams@oregonmetro.gov)  
Holly Stirnkorb,  
[holly.stirnkorb@oregonmetro.gov](mailto:holly.stirnkorb@oregonmetro.gov),

Presenter(s): Marissa Madrigal, Brian Kennedy and Cinnamon Williams

Length: 1 hour

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### **ISSUE STATEMENT**

Metro has been taking a thorough look at our fee structure for solid waste disposal in greater Portland. Metro is looking at innovative solutions and best practices to ensure the garbage and recycling system uses public money wisely and is responsible, transparent and equitable to everyone who uses, works in or is otherwise impacted by garbage and recycling services.

To provide more transparency and consistent communication about how solid waste fees are set, Metro has hosted a two Council work sessions focused on utility fee setting including an expert utility fee setting panel on December 14, 2022 and a three-hour Metro Council work session on December 16, 2022 to apply lessons learned from the panel to Metro's solid waste fees. These important meetings provided a look at how Metro establishes our fees and an opportunity to explore ways to improve the fee-setting process.

This work session is a follow up the previous engagements. It will give Metro Council an opportunity to guide decision making on fee setting and the fee scenario approach. Information shared at this work session will guide solid waste fee setting for FY 22-23 and the long term.

### **ACTION REQUESTED**

Staff is asking for direction on 1) updates to fee-setting criteria to support best fiscal practices, 2) short term fee scenario approach for FY 2022-23, 3) potential changes to the model in the long term and 4) further evaluation of the costs and benefits of the allocation of fixed costs for public facilities to inform future policy discussions.

### **IDENTIFIED POLICY OUTCOMES**

Set solid waste fees that align with Council priorities.

## **POLICY QUESTION(S)**

- Does the fee-setting criteria need to be updated to support Metro Council priorities to support best fiscal practices?
- Which fee scenario approach aligns with Metro Council priorities?
- Does Council want to consider options for how to allocate fixed costs for public facilities to ensure public goods are available?

## **POLICY OPTIONS FOR COUNCIL TO CONSIDER**

1. Review and analyze three fee scenarios that have different approaches to setting the Solid Waste Fees.
  - a. Status Quo – a single year focus that projects out 5 years of fees using the cost-of-service approach to generate required revenue to cover costs based on the department’s budget. This includes funding the capital improvement plan as presented in the proposed budget but without major investments to our facilities.
    - i. Pros: Provides for healthy reserves, allows for flexibility in departmental spending and gives the department options for new programs.
    - ii. Cons: Fees are more volatile and can be inflated due to the assumption of full utilization of budget.
  - b. Fee Predictability – a five-year focus that spreads costs, commits the department to a fiscal plan and ensures a predictable tip fee. Capital costs are decreased to \$5M a year and the department will use some fund balance in FY2023 and FY2024 if all projects are completed. This plan still adheres to the operating reserve policy.
    - i. Pros: Improves fiscal responsibility, provides fee predictability, and provides resources for long-term planning
    - ii. Cons: Constrains flexibility and if the economy over-performs requires use of reserves
  - c. Existing Facility Investment – a single year focus that projects out 5 years of fees using the cost-of-service approach to generate required revenue to cover costs based on the department’s budget. This includes fully funding the department’s 5-year capital improvement plan with major investments to Metro’s facilities, but does not include the full cost of constructing new facilities.
    - i. Pros: Fully funds capital investment plans and provides for healthy reserves.
    - ii. Cons: Fees are required to be higher, debt must be issued to fund larger infrastructure, and pressure on the Regional System Fee is ongoing.
2. Reject the current scenarios and request new scenarios with different policy objectives and cost elements.

3. Do not change fees for FY2022-23. Not increasing fees will result in a \$7 million operating deficit and failure to fund the 45-day reserve that is required by Metro policy. All capital improvement spending will further deplete reserves.

### **STAFF RECOMMENDATIONS**

The Chief Operating Officer recommends that Council select the Fee Predictability Scenario and have staff finalize fees and schedule the resolution for adoption in April 2022.

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

As the regional solid waste authority, Metro ensures that solid waste generated in the region is managed in a manner that protects public health and safety and safeguards the environment. Metro also owns and operates a solid waste transfer and disposal utility within the region that manages approximately 550,000 tons of municipal solid waste (MSW) generated by residents and businesses each year. Metro assesses fees on solid waste to generate revenue to fund the regulatory and operational functions of the utility.

Each year as part of the annual budgeting process, Metro staff develop a financial forecast for solid waste activities and services. The forecast is a reasonable and detailed outlook of waste disposal (measured in tons), operating costs, capital project costs, and financial reserves. The financial forecast indicates if revenues at existing fee levels can support all solid waste-related obligations. If the utility cannot operate on a sustainable and independent basis, Metro staff evaluate different strategies including capital project financing, capital project deferrals, operating cost reductions, one-time use of financial reserves, and fee adjustments.

If additional fee revenue is needed, Metro staff conduct a cost-of-service analysis to determine which fees should be adjusted to generate sufficient revenue and to generally align with the cost to provide service. The utility's financial obligations are divided or allocated to utility activities including MSW disposal and management of other materials (e.g., organics, yard waste, wood waste). Some of the utility's costs are closer in form to public goods rather than utility functions and are allocated to the regional system fee. These costs are driven by state mandates, advance regional conservation and recycling goals, support post-closure requirements of closed landfills, or are related to household hazardous waste, illegal dumping and latex paint recovery. The results of the cost-of-service analysis are reviewed by an independent consultant to validate technical results. The consultant also provides comments and edits (if needed) for the analysis.

Cost-of-service results are evaluated along with Metro's solid waste fee setting criteria to recommend fee adjustments for Metro Council consideration. The criteria address financial and non-financial objectives for Metro's fees including revenue adequacy, credit rating impacts, alignment with waste reduction goals, equity, affordability, and predictability. MSW disposal fee revenue (\$39.5 million) and regional system fee revenue (\$37.1 million) account for the majority (87%) of utility fee revenue in FY 2022. Other revenue sources include transaction fees (\$5.2 million), organic fees (\$5.0 million) and yard/wood waste fees (\$1.1 million).



## **BACKGROUND**

The project supports implementation of the 2030 Regional Waste Plan (RWP) Goal 14: “Adopt rates for all services that are reasonable, responsive to user economic needs, regionally consistent and well understood” and Action 14.2 “Implement transparent and consistent annual rate-setting processes for all facilities.” Action 14.2 was prioritized in the RWP regional work plan and WPES FY 21-22 work plan based on feedback from the Metro Council and local government stakeholders due to the controversy around Metro’s recent solid waste fee and rate increases.

Metro delayed adopting solid waste fee/rate increases in 2020 due to the COVID pandemic and concerns about impacts on waste volumes. As a result of this delay Metro needed to account for two years of expenses in the 2021 fee/rate setting process which resulted in a significant fee/rate increase. Metro’s fees/rates are typically matched by private transfer stations. The increased disposal costs at both Metro and private transfer stations necessitated increases in the garbage and recycling rates local governments set for their communities.

Local elected official and their staff have concerns about how Metro’s fees/rate impact the affordability of rates for their residents and their ability to seek rate increases to support local programs and community needs. They have asked Metro to be more transparent and to provide opportunities for feedback on the WPES budget that Metro’s fees/rates support.

Engagement in the development of the budget and any proposed fee changes is key because the fee and rate setting process ensures fees and rates are set at the level that supports the WPES budget, facility and service operations and maintenance of required fund balances. However, this is not widely understood and stakeholders have questions and concerns about the fee and rate making process. Particularly about how Metro rates will change over time as additional public solid waste and recycling infrastructure is developed to serve population growth and updated/maintained to ensure the system is resilient and prepared for emergencies and disasters.

Metro initiated a process to provide more transparency and consistent communication about our budgeting process and how solid waste fees are set. The goal is to create meaningful opportunities for engagement in fee setting and the WPES budget development process that will build trust with our stakeholders.

Metro is hosting three Council work sessions focused on utility fee setting including a December 14, 2022 expert utility fee setting panel and a three-hour Metro Council work session on December 16, 2022 to take lessons learned from the panel and apply them to Metro’s solid waste fees. These important meetings provided a look at how we establish our fees and an opportunity to explore ways to improve our process. The third work session provides Council an opportunity to provide direction on the criteria to inform and guide decision making on fee setting and the fee scenario approach.

To provide more transparency into the development of the WPES budget, Metro is hosting two public forums focused on Metro’s budget setting process, WPES’ potential budget and

its impact on solid waste fees. The first forum was held on January 26, 2022 and offered stakeholder an opportunity to provide input on budget development and share interest, issues and concerns.

A second public forum is scheduled for April 7, 2022 and will include a presentation of the proposed budget submitted to Council, the priorities and policy direction included in the budget and explain how local government interests, issues and concerns were taken into consideration. This forum is being held in advance of Metro Council's April 14 public hearing on the proposed budget and we will discuss the various options for providing public testimony.

Information about all of these engagement opportunities communicated through a variety of channels including direct outreach to key stakeholders and a website, <https://www.oregonmetro.gov/metros-solid-waste-fee-setting-process>. The website contains meeting materials, videos and frequently asked questions.

## Metro Solid Waste Fee Setting Update

### Attachment A: Metro Forum / Submitted Questions and Answers

For the January 26, 2022 Metro forum, staff submitted questions in advance alongside regional partners. The submitted questions (in **bold**), and Metro's responses, are below.

The full Frequently Asked Questions page, which is maintained as a living document, can be seeing online: <https://www.oregonmetro.gov/metros-solid-waste-fee-setting-process>

- 1. Please provide details to support Metro projection of disposal cost increases of 50% over 7 years (2020-2027) in order to maintain status quo services. What are the cost drivers that require this level of increases?**

No response provided.

- 2. How will city, county, and other stakeholders be engaged in planning for future infrastructure investments such as new facilities, including costs and ratepayer impacts?**

Metro has responsibility for both maintaining current public assets and planning for long term infrastructure investments such as new facilities. Metro develops a capital investment plan (CIP) for five years and updates it annually. This plan covers maintenance, repair, and projects to improve the operation of the transfer stations for customers and the nearby community. Historically, Metro has used fund balance reserves to fund annual repairs and maintenance to Metro sites and new equipment. As Metro identifies additional resource needs for capital infrastructure plans, this will continue to be included in the annual budget process and the Council will provide direction on how to fund CIP projects.

The Garbage and Recycling System Facilities Plan that is underway through the middle of 2023, will outline future infrastructure investments and services needed to fulfill the goals in the 2030 Regional Waste Plan. The planning process will assess the region's current public, private and non-profit garbage, recycling, and reuse infrastructure, identify service gaps, and present alternative scenarios and a plan for future investments. The scenarios will include considerations of costs and ratepayer impacts and will elevate the needs of communities of color and other groups historically underserved or impacted by the solid waste system.

The development of the Plan will involve a wide range of individuals, formal bodies, and informal groups. The Metro Policy Advisory Committee, Regional Solid Waste Advisory Committee and Committee on Racial Equity will provide input on key decision points. It is integral to this decision-making process that timely opportunities for community partners and the public are available to provide input to these advisory committees.

The engagement efforts will seek participation of all potentially affected individuals, communities and organizations including businesses, local governments, reuse

organizations and advocacy organizations. Emphasis will be placed on engaging communities of color and other communities who may be more directly impacted by the decisions that affect the garbage and recycling system but have fewer opportunities to influence and shape the system.

**3. How will constituents of cities and counties be included in the development of the WPES budget?**

Cities and counties will be included in the development of the WPES budget in multiple ways. First, cities and counties will continue to be partners in the implementation and ongoing monitoring of the three-year work plan. City and county solid waste administrators meet regularly with Metro staff to monitor progress of planned activities and adjust course as needed. The three-year work plan directly informs the WPES budget and allocation of resources to programs and services. Metro will be taking feedback and learnings from this year's series of budget engagements and forums to improve upon for the next year. In addition, cities and counties are invited to provide testimony at public hearings on the budget to provide direct input to Metro Council before budget adoption.

**4. The importance of distinction between planning and fee setting was emphasized in the expert panel, as was the need to connect detailed cost estimates from planning to fee impact outcomes. To that end we have two questions:**

**a. How might Metro enhance this area, including cost impacts of actions in the Regional Waste Plan?**

The development of the Garbage and Recycling System Facilities Plan will connect cost estimates from planning to fee impact outcomes. The plan will outline future infrastructure investments and services needed to fulfill the goals in the 2030 Regional Waste Plan. This will include development of financing options for future infrastructure investments. Planning for long term infrastructure updates can allow for extended fee forecasting and spreading costs over longer time periods.

*County staff comment: Infrastructure investments are one important part of the future of waste services in our region, and there are many other components of the Regional Waste Plan that will require resources—this question could be explored further.*

**b. Will Metro approach it's budget engagement efforts with more recognition of the differences in purpose between transfer station operations, RWP implementation, and organizational funding and resource decisions (tax/RSF), and the policy uses of various disposal fees, with more awareness of fee impacts, and awareness of how its budget/programmatic decisions impact the resource needs of key implementing partner agencies such as cities and counties?**

Yes. Historically and presently, Metro outlines the differences for funding the transfer stations and regional programs as distinguished by the tonnage charge and regional system fee. In recent budget engagements, we have provided more in-depth detail on

how funds are allocated across public operations and regional programs and services related to the Regional Waste Plan implementation, and the additional fees and taxes included in solid waste fees.

**5. *What are the specific opportunities for elected officials to engage with this process, including MPAC, city/county forums, or otherwise?***

We plan to continue to engage with cities and counties throughout the year to hear about what is happening in your communities and to identify shared priorities that advance the Regional Waste Plan for the benefit of everyone in our region. Another forum is scheduled for April 7, 2022. Metro staff are always available to meet with local elected bodies to provide more in-depth presentations and discussions. Additionally, cities and counties have the opportunity each year to provide testimony to Metro Council during the public hearing process for budget consideration and adoption.<sup>1</sup> We will be learning from this year so we can improve our efforts next year with a series of forums to continue to engage you in the process.

**6. *Counties and cities are currently not provided regular updates on fees and rates charged at the private facilities that are regulated by Metro. The private facilities should be formally required to report planned rate/fee increases by a date certain, so that counties and cities fully understand the private facility revenue requirements and the rates/fees that will be assessed to customers, including detailed rates for self-haul. Will Metro consider a formal requirement to do so?***

Metro staff will explore options for leadership's consideration of a formal requirement for transfer stations to provide regular updates on fees and rates, including public self-haul services. Metro plans to evaluate public self-haul services and identify gaps in service availability and accessibility, as well as potential solutions for addressing those gaps, as part of the Garbage and Recycling System Facilities Plan.

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<sup>1</sup> There are three public hearings related to Metro's budget adoption process. On April 5, 2022 Metro Council will hold a public hearing for the formal presentation of the proposed budget, followed by meetings on April 7, 2022 and April 12, 2022 where departmental individual budgets will be presented to Metro Council.



**Metro Council**  
**600 NE Grand Ave**  
**Portland, OR 97232**

**RE: Solid Waste Disposal Fees**

**Dear Council President Peterson and Members of the Council,**

The Clackamas County Board of Commissioners have serious concerns about Metro's proposed disposal fees and how those fees link to regional priorities and Metro's budget.

Metro is proposing a 50% increase in solid waste disposal fees over 2020 levels, by 2027, to maintain existing services. In addition, a projection for successive increases of between 7.1% and 7.9% through 2027 was later approved by the Metro Council. When combined with recent increases, this is an increase of approximately 67% from 2020 to 2027.

As disposal and recycling services are essential for all residents, and these costs will be passed down to the rate payers, we oppose the action taken by Metro to choose the largest overall increase without collaborative regional engagement. In the interest of transparency and customer service to ratepayers, we ask you to respond to our requests related to the following issues.

**Basis for projected disposal fee increases.** Respond to the request from local governments before the January 2022 listening session to provide further details about the rationale for projected disposal fee increases. We request that a comprehensive breakdown of the cost drivers for the new projected scenario be shared with our staff, elected officials and the public, including projections of what the increased revenue will be used for and how it will benefit customers throughout our county and our region.

**Enhanced engagement.** Bring proposed decisions that drive projected changes in disposal fees – including the most recent projection scenario – to public forums, such as MPAC, supplemented by staff-level discussions. Greater dialogue and consultation with the jurisdictions within Metro, with elected officials, community members and other stakeholders is urgently needed.

**Regional revenue sharing.** Revenue sharing to local governments for implementation of the Regional Waste Plan (RWP) has been uncertain. We request greater predictability and proportionality in revenue-sharing from the regional system fee that Metro shares with cities and counties to help offset RWP implementation costs.

The proposed rate increases have a negative impact on everyone in the region, especially in light of the economic challenges of the post-pandemic economy. On behalf of our mutual constituents, we look forward to productive discussions with you on these issues.

Thank you.