

STAFF REPORT

IN CONSIDERATION OF:

RESOLUTION NO. 25-5488 FOR THE PURPOSE OF ADOPTING THE REGIONAL SYSTEM FEE FOR FY 2025-26.

RESOLUTION NO. 25-5489 FOR THE PURPOSE OF ADOPTING SOLID WASTE FEES AT THE METRO TRANSFER STATIONS AND METRO'S COMMUNITY ENHANCEMENT FEE FOR FY 2025-26.

Date: May 8, 2025
Department: Finance and Regulatory
Services
Meeting Date: May 15, 2025

Prepared by: Patrick Dennis, WPES
Finance Manager
Presenters: Cinnamon Williams, Financial
Planning Director
Length: 30 minutes

ISSUE STATEMENT

Resolution 25-5488 will authorize an increase to the regional system fee, effective July 1, 2025.
Resolution 25-5489 will authorize an increase to the solid waste fees at the Metro transfer stations and authorize collection of a community enhancement fee effective July 1, 2025.

ACTION REQUESTED

Council adoption of Resolution 25-5488 and Resolution 25-5489.

IDENTIFIED POLICY OUTCOMES

Council adoption of these resolutions will:

1. Increase the solid waste fees at the Metro transfer stations, effective July 1, 2025;
2. Increase the regional system fee, effective July 1, 2025;
3. Authorize Metro to impose and collect a community enhancement fee on waste disposed under certain conditions, effective July 1, 2025;
4. Provide Council with the annual report of the amount of solid waste that was subject to reduced fees and taxes or exempted during FY 2023-24.

POLICY QUESTION

Should Council increase the solid waste fees at the Metro transfer stations and the regional system fee to cover the costs of service of Metro transfer station operations and the regional waste system?

POLICY OPTIONS FOR COUNCIL TO CONSIDER

1. Adoption of the resolutions to increase solid waste fees at the Metro transfer stations and regional system fee to fund projected FY2025-26 department expenses.

2. Reject the resolution to increase the solid waste fees at the Metro transfer stations; and/or reject the resolution to increase the regional system fee. These actions will result in future operational budget shortfalls. This will require Metro to 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 25-5488 and Resolution 25-5489.

STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION

In March 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 response to the Waste Fee Policy Task Force's recommendations, Metro updated its financial policies with the adoption of Resolution 24-5406, clarifying that Metro's solid waste fees should be sufficient to fund the full cost of the solid waste system and that Metro will maintain separate fund balance reserves for transfer station operations and Regional System Fee-funded activities.

Metro convened the Regional Waste Advisory Committee (RWAC) with the intended purpose of improving engagement and collaboration on budget and fee development. RWAC held three meetings on February 27, 2025, March 27, 2025, and April 24, 2025, where they learned about the FY 2025-26 proposed budget and fee development processes, and engaged with staff to review and provide input on the Waste Prevention and Environmental Services (WPES) budget and fee development as it relates to the implementation of the 2030 Regional Waste Plan, as the committee's defined function is stated in Metro Code Section 2.19.130.

Additionally, Metro held a Local Government Budget Forum on April 16th, 2025, where attendees could ask questions of Metro staff about the WPES FY 2025-26 budget and fees. Metro also proactively e-mailed monthly updates to local governments about key information related to budget and fee development in February, March and April 2025.

On May 8, 2025, Council received the input from RWAC and the Local Government Budget Forum to consider different perspectives on the WPES budget and associated fees from public, private, nonprofit and community partners. At this meeting, Council received the finalized proposed fees after FCS Group, an independent third-party consultant, had reviewed the fee models for year-over-year consistency and industry best-practice conformity.

In alignment with the Waste Fee Policy Task force's recommendation and Metro Council direction, WPES has been diligent in keeping transfer station operations and Regional System Fee-funded activities separated. To forecast the rates for FY 2025-26, a transformation of the rate development model was required, resulting in two separate forecasting models, one to forecast solid waste fees and the other to forecast regional system fees.

Independent Solid Waste Fee Review: As required by Metro Code Chapter 5.03.070, staff has had the Solid Waste Fee model and the Regional System Fee model reviewed by an independent reviewer. Metro employs consultant FCS Group who reviews the models 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 2023-24 is provided in **Attachment 1**.

Known Opposition: Local government partners and RWAC members have expressed concerns about increasing any 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 2025-26 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. Proposed fee schedule

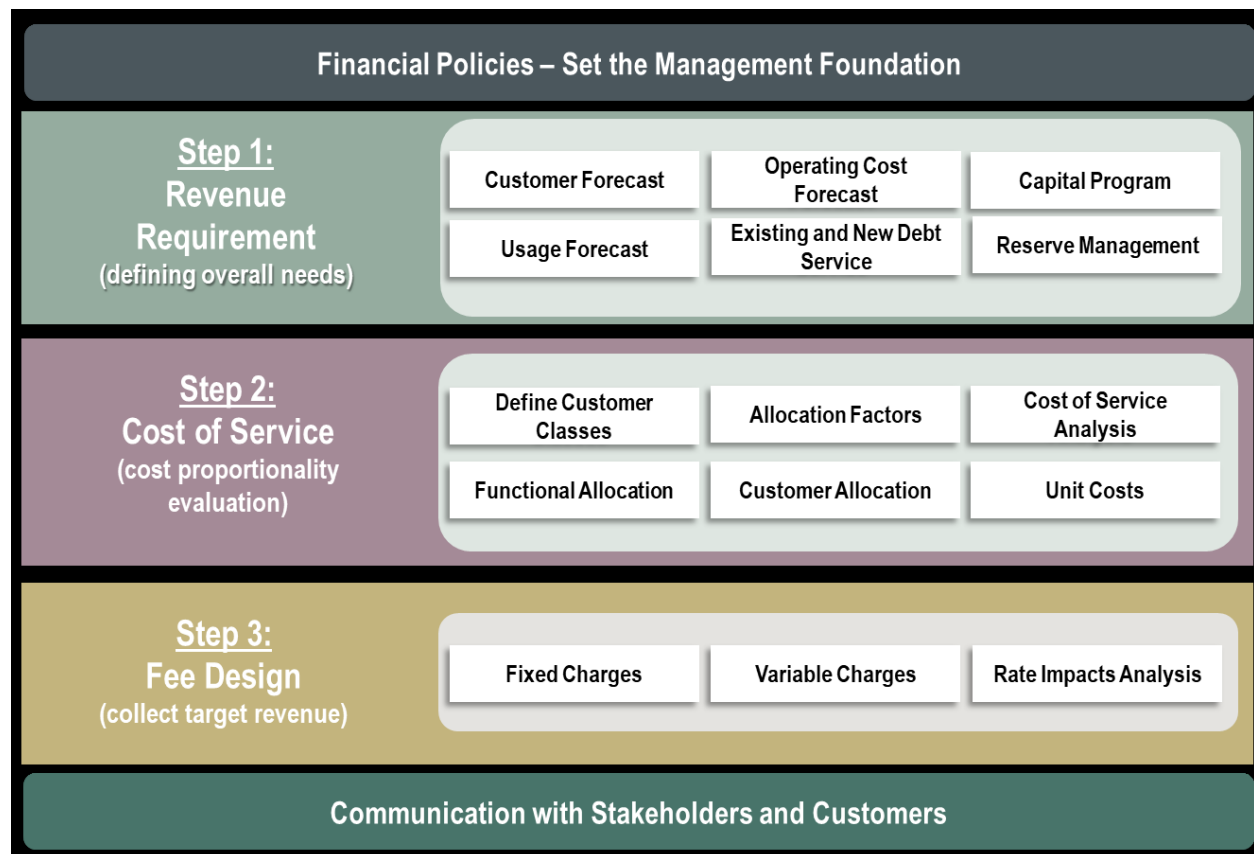
Proposed Fee Schedule				
	Existing 2025	Proposed 2026	Difference	
			\$	%
Transaction Fee				
Staffed Scalehouse	\$27.00	\$28.00	\$1.00	3.70%
Automated Scalehouse	\$7.25	\$7.85	\$0.60	8.28%
Tonnage Charge				
Solid Waste Fee (SWF)	\$104.37	\$112.19	\$7.82	7.49%
Clean Wood	\$80.92	\$87.39	\$6.47	8.00%
Yard Debris	\$55.00	\$55.00	\$0.00	0.00%
Residential Organics	\$93.04	\$100.48	\$7.44	8.00%
Commercial Organics	\$81.41	\$87.92	\$6.51	8.00%
Fees and Taxes				
Enhancement Fee	\$1.00	\$1.00	\$0.00	0.00%
Regional System Fee (SWF Only)	\$31.72	\$32.60	\$0.88	2.77%
Metro Excise Tax (SWF Only)	\$14.69	\$14.46	-\$0.23	-1.57%
DEQ Fees (SWF Only)	\$1.89	\$1.89	\$0.00	0.00%
Environmental Cleanup Fee	\$2.50	\$2.50	\$0.00	0.00%
SWF Tipping Fee (including taxes)	\$153.67	\$162.14	\$8.47	5.51%
Minimum Fee (SWF)	\$45.00	\$47.00	\$2.00	4.44%

Financial and budget Impacts: The fees established by this resolution are designed to raise \$79 million in Solid Waste Fee revenue and \$50 million in Regional System Fee revenue for FY 2025-26. WPES *budgeted* Operating and Materials (O&M) expenses for Solid Waste Fee programs at \$84 million and for Regional System Fee programs at \$58 million for FY 2025-26.

BACKGROUND

Metro establishes the Solid Waste fee and Regional System Fee 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 and Regional System 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 2025-26 *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 the workers and 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, 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 core service areas included in the budget are:

- Household Hazardous Waste
- Metro Paint
- Community Grants
- Dumped Garbage Clean Up
- Environmental Education Programs
- Youth Internship Program
- Direct Funding to Local Governments
- Policy & Planning
- Compliance

Figure 3. Revenue Requirement from proposed budget

Solid Waste Revenue Fund		
CURRENT FY 2025-26 Proposed Budget		
Personnel Services	\$	35,807,632
Materials & Services		84,160,111
Indirect Transfers for internal cost allocation plan		21,636,792
Proposed Budget Current Expenditures (excluding Capital Outlay)	\$	141,604,535
TOTAL OPERATING EXPENSES IN THE COMBINED MODELS	\$	141,604,535

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

Figure 4. Total amount of revenue to be recovered by the Metro fees

Revenue by Fee Type	2026
Staffed Transactions	\$ 8,793,255
Automated Transactions	961,637
Mixed Solid Waste Tip Fee	62,181,674
Clean Wood Tip Fee	69,418
Yard Waste Tip Fee	946,313
Residential Organics Tip Fee	4,590,014
Commercial Organics Tip Fee	1,438,995
Regional System Fee Tip Fee	49,663,860
<i>Cleanup Material</i>	554,253
Total	\$ 129,199,419

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, and regional programs. 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.

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 2025-26 fee development, staff used the Fall 2024 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 5. Recommended fees and charges for FY 2025-26

Description	(Mixed) Solid Waste	Clean Wood	Yard Debris	Residential Organics	Commercial Organics
Transaction Fee:					
Staffed Scalehouse	\$28.00	\$28.00	\$28.00	\$28.00	\$28.00
Automated Scalehouse	\$7.85	\$7.85	\$7.85	\$7.85	\$7.85
Tip Fee:					
Tonnage Charge	\$112.19	\$87.39	\$55.00	\$100.48	\$87.92
Regional System Fee	\$32.60	-	-	-	-
Excise Tax	\$14.46	-	-	-	-
DEQ Fees	\$1.89	-	-	-	-
Community Enhancement Fee	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Total Tip Fee	\$162.14	\$88.39	\$56.00	\$101.48	\$88.92
Min Load Fee (240 lbs.)	\$47.00	\$39.00	\$35.00	\$40.00	\$39.00

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 2023-24 is provide in **Attachment 1**.

ATTACHMENTS

- Attachment 1 – Annual Credit and Exemptions Report for FY 2023-24
- Attachment 2 – Fee Setting Criteria
- Attachment 3 – Independent Review Letter