

SOLID WASTE FEE OPTIONS

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Services
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Length: 30 minutes

ISSUE STATEMENT

Staff are developing options to authorize increases to the regional system fee and Metro transfer station fees for solid waste.

ACTION REQUESTED

Staff is requesting feedback on a staff recommendation to bring forward a single July 1st increase in rates, and other options to increase fees for solid waste disposal services.

IDENTIFIED POLICY OUTCOMES

Policy outcomes include ensuring the provision of essential solid waste disposal services and the short and long-term financial sustainability of the solid waste fund.

POLICY QUESTION(S)

The primary policy question is how to balance use of budget reductions, drawing down reserves and rate increases to ensure the short and long term financial sustainability of the solid waste fund and Metro's ability to continue to provide essential services to the region.

POLICY OPTIONS FOR COUNCIL TO CONSIDER

Policy options include:

- Increase solid waste fees as of February 1st, 2021 and then consider another increase on Metro's regular schedule for rate adoption to be effective 7/1/2021.
- Increase solid waste fees as of July 1st, 2021 and then remain on Metro's regular schedule for rate adoption.
- Do not increase solid waste fees until July 1st, 2022.

Over the last month, staff conducted broad outreach to stakeholders on the proposal to increase fees as of February 1st, 2021, and again in July 2021. That "two-step" proposal generated significant feedback that the administrative burden of implementing two rate increases would create hardship for both local governments and the solid waste industry.

Staff took that feedback seriously and has prepared an additional option and recommendation for Council that would increase rates once, effective July 1st, 2021. The pandemic has introduced significant disruption to local government and the solid waste industry. Increasing the rate once in July will provide some certainty and stability for

stakeholders in the system. It should be noted that delaying the rate increase to July will likely require use of additional reserves and increases financial risks for Metro. However, adopting new rates now in December 2020 for FY2021-22 mitigates those risks by allowing staff to plan for reserve usage through the remainder of FY2020-21 and then cover actual cost of service beginning in July.

Delaying any increase in solid waste fees until July 2022 would require an unprecedented use of reserve funds as well as dramatic budget reductions that would require Metro to reexamine its values for the solid waste system. The level of reductions required would necessarily roll back improvements to contract worker wages and benefits, waste recovery efforts and investments in pollution-reducing fuels and equipment.

STAFF RECOMMENDATION

Staff recommends increasing rates effective July 1st, 2021. Taking action in December will provide significant notice to stakeholders and allow Metro to plan and monitor use of reserve funds through the remainder of the current fiscal year.

STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION

Metro solid waste fees are generally evaluated every spring in concert with the budget development process and adopted to be effective on July 1. This evaluation uses an annual tonnage forecast of the number of tons of garbage expected to flow through the facilities and calculations of expected costs. When tonnage growth keeps pace with cost increases, per-ton costs will generally remain relatively constant. When tonnage increases faster than costs, per-ton costs decrease and fund balances grow. Slow tonnage growth or declines can put pressure on per-ton costs and force spending the fund at a faster rate.

This year, the COVID-19 pandemic produced so much new and profound uncertainty during the standard fee-setting process, Metro made the unprecedented decision to delay rate changes until staff could further evaluate the economic impacts on tonnage and more thoroughly evaluate any needed budget reductions. This resolution reflects that evaluation.

Garbage follows the economy. Over the last decade, as the economy grew, Metro was able to keep fee increases minimal. But since the COVID recession hit, tons have declined. In addition to fewer tons of garbage being generated across the region that tonnage has largely shifted from the business sector to the residential sector as more people work from home. There are indications now that tonnage is stabilizing and may even begin to increase again by 2022.

Known Opposition: There is opposition from some solid waste industry representatives and local government elected and appointed officials to increasing solid waste fees mid-year. The mid-year increase is problematic for some parts of the solid waste industry and local governments because local collection rates are typically set annually with July 1st effective dates for rate changes. A mid-year increase by Metro would either require local governments to also take mid-year action to increase collection rates or for the industry to absorb those increased costs until their rates increase in July.

There is also concern about the size of the potential increase, particularly given the economic distress caused by the COVID recession.

- Is legislation required for Council action? ☒ Yes ☐ No
- If yes, is draft legislation attached? ☐ Yes ☒ No