

March 18, 2014

Metro
600 NE Grand Avenue
Portland, OR 97232-2736

Subject: Review of FY 2014-15 Solid Waste Disposal Charges

Dear Council President Tom Hughes, Members of the Metro Council, and Chief Operating Officer Martha Bennett:

On February 17, 2014, Metro engaged FCS GROUP to provide an independent review of the methodology for calculating proposed solid waste disposal charges for fiscal year 2014-15. We have reviewed the staff memorandum of February 18, 2014 regarding "FY 2014-2015 Solid Waste Rate Making Methodology" and completed a cursory review of the Excel Rate Model 14-15.

Our review of Metro's documents resulted in the following observations:

- We find that the proposed rate methodology/process utilized is technically sound and consistent with that deemed acceptable in the initial 2010 rate review along with the changes that were incorporated in 2013 to require a greater level of cost recovery from organic waste.
- The additional detail listed in the Revenue Requirement and Distribution to Rate Components Table has improved transparency.
- The remaining items from the 2010 recommendations list relate to policy issues and will be addressed as sub-projects to the Solid Waste Roadmap Project relating to managing for long-term rate stability.
- The use of Rate Stabilization Reserves to cover any change to the revenue requirements from the draft proposed budget to the final approved budget is within industry standard practice for the use of reserves. Based on projections for increased tonnage and overall healthy reserves in the solid waste fund, the use of reserves in this manner should not create any problems.
- Fund balances are meeting or exceeding targets.
- The reserve replenishment approach identified is appropriate

We appreciate the opportunity to provide this review to Metro. Please do not hesitate to contact me if you have any questions regarding this letter or if additional information is needed.

Sincerely,
FCS GROUP



Angie Sanchez Virnoche
Principal

cc: Councilors Craddick, Collette, Dirksen, Harrington, Chase, and Stacey; Scott Robinson, Deputy Chief Operating Officer; Tim Collier, Finance and Regulatory Affairs Director and Brian Kennedy Assistant Finance Director