

April 24, 2013

Metro  
600 NE Grand Avenue  
Portland, OR 97232-2736

**Subject: Review of FY 2013-14 Solid Waste Disposal Charges**

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

On March 1, 2013, Metro engaged FCS GROUP to review and opine on the methodology for calculating proposed solid waste disposal charges for fiscal year 2013-14. In response to this request, we have reviewed the staff report for Ordinance No. 13-1302, the technical memorandum, "Establishing the Cost of Service: Fixed Costs and Allocation Methodology," and other background documents.

**We find that the proposed rate adjustments reflect a cost-of-service approach and are technically sound.** Moreover, we affirm Metro's recent policy change (Ordinance No. 12-1277) to require a greater level of cost recovery from organic waste.

Our review of Metro's documents inspired the two observations below. Note that our opinion of Metro's proposed rates is not contingent upon any action on these items.

- The transaction unit and tonnage unit forecasts used in Table 10 of the technical memorandum are critical to the development of unit costs. Our past review revealed that there is rigorous analysis that is completed to develop these demand forecasts. Additional documentation explaining this process would be beneficial and add to the completeness of the documentation and resulting calculations.
- The technical memorandum convinces us that floor area is a reasonable allocation base for the fixed operating costs. However, we would find it beneficial to include in the documentation the other allocation bases that were considered, such as tonnage, and what ultimately made these bases less correlated than floor area.

We appreciate the opportunity to work with Metro on this project. 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  
Project Manager/Principal

cc: Councilors Craddick, Collette, Dirksen, Harrington, Chase, and Stacey; Scott Robinson, Deputy Chief Operating Officer; Tim Collier, Finance and Administration Interim Director; and Douglas Anderson, Policy and Compliance Manager