



Memo

Date: Monday, April 6, 2020
To: Cinnamon Williams, Acting Deputy Chief Financial Officer
From: Joel Sherman, Solid Waste Forecaster, and Dennis Yee, Metro Economist
Subject: Memo 1 of 2: COVID-19 Revenue Implications this Fiscal Year

Purpose

For budgetary planning needs, Dennis Yee and I have revised solid waste tonnage and revenue expectations in light of the sudden and immediate shift in economic conditions brought about by the global pandemic COVID-19. This memo outlines our revised tonnage and revenue expectations for the current fiscal year (FY) 2019-20. Revised tonnage and revenue expectations for FY 2020-21 and FY 2021-22 as well as more detail for these analysis will be provided in a second memo under development.

Methodology

To produce our revised forecast, we started with our most recent forecast published in November 2019, and made the following changes:

- We significantly altered the economic outlook, which impacts the generation of regional putrescible (wet) and non-putrescible waste (dry). This outlook includes changes to our forecasts for total and construction employment in the region, regional single-family and multi-family construction permits, home prices, and mortgage rates. These changes reflect our best thinking, as well as that of other local economists, and of IHS Markit's Macroeconomic Advisors, one of Metro's economic consultants.
- We changed our expectations for regional commercial food waste and residential food waste mixed with yard debris to account for an expected, immediate shift in tonnage between sectors; specifically FROM commercial, TO residential. We also delayed the start of the Business Food Waste Program.
- Finally, we updated our assumptions about private facility wet waste tonnage allocations, specifically those to City of Roses (COR) Disposal and Recycling. Metro's actual CY 2020 allocation to COR has increased since November, and their utilization of their allocation (i.e. how much of their allocation they are likely to use) is looking to be significantly higher than we originally assumed.

We will provide more detail on each of these changes, as well as more detailed results for the current and next two FY in the second memo to follow. In this executive summary, we provide the high levels results on the current FY19-20.

Results

Results are presented as differences, in both tonnage and revenues (at current FY rates) between budgeted amounts and amounts under the revised expectations, within three revenue categories: Enterprise, Regional System Fee, and Solid Waste Excise Tax.

1. Metro Enterprise Revenues – Includes tonnage and loads that generate tonnage charge and transaction fee revenues, respectively, at Metro's two transfer stations. These revenues pay for Metro's operational costs. **Total hit this FY = \$2.47 million**

	Differences	
	<i>(Current minus Budget)</i>	
	Tons	Revenues
Tons		
MSW	(49,117)	(\$3,163,626)
Res. Organics	8,446	\$650,232
Com. Organics	(1,399)	(\$91,261)
Wood	1,302	\$83,618
Yard debris	1,260	\$69,301
Loads		
Staffed	(756)	(\$7,558)
Automated	(3,579)	(\$7,158)
Total Rev Diff (nearest \$10K):		(\$2,470,000)

2. Regional System Fee Revenue – Includes regional tonnage generated in the Metro region and ultimately disposed, which incurs Metro’s Regional System Fee. These revenues pay for Metro’s solid waste activities OTHER THAN operations. **Total hit this FY = \$1.87 million**

	Differences	
	<i>(Current minus Budget)</i>	
	Tons	Revenues
Full-freight	(74,727)	(\$1,388,428)
Reduced Fee	(190,784)	(\$476,959)
Total Rev Diff (nearest \$10K):		(\$1,870,000)

3. Solid Waste Excise Tax Revenue – Includes regional tonnage generated in the Metro region or delivered to a regional solid waste facility inside the region, which incurs Metro’s Solid Waste Excise Tax. These revenues pay for general Metro government activities. **Total hit this FY = \$1.12 million.**

	Differences	
	<i>(Current minus Budget)</i>	
	Tons	Revenues
Full-freight	(80,201)	(\$927,926)
Reduced Fee	(190,784)	(\$190,784)
Total Rev Diff (nearest \$10K):		(\$1,120,000)

cc: Roy Brower, Director WPES
Brian Kennedy, Director of FRS
Paul Slyman, Chief of Staff to Council President
Matt Korot, Strategic Planning and Support Services Director
Tom Chaimov, Operations Director
Warren Johnson, Cleanup and Compliance Director
Molly Vogt, Analytics Manager
Alan Snook, Senior Solid Waste Planner
Maria Roberts, Senior Solid Waste Planner
Will Elder, Senior Solid Waste Planner
Kevin Six, Senior Solid Waste Planner