

Subject: FY20 Solid Waste Service Charges

Purpose: To approve FY20 Solid Waste Service Charges

Analyst: Keith Levchenko, Senior Legislative Analyst

Committee: T&E

Keywords: #FY20SolidWasteCharges, FY20 DEP Budget, Division of Solid Waste Services

BACKGROUND

- On March 15, the Executive transmitted his FY20 proposed Solid Waste charges (see ©1-4).
- These charges are consistent with the Executive's Recommended FY20 Operating Budget.
- Solid waste charges are approved annually by the Council by resolution (draft attached on ©2-4).
- For further information, please see the May 9, 2019 Council Staff Report (Agenda Item #42) for the Council's review of the Department of Environmental Protection Solid Waste Services Budget (excerpt attached on ©5-9).¹ A summary table showing the FY19 Approved and FY20 Recommended charges is attached on ©6.

T&E COMMITTEE AND COUNCIL REVIEW

- **The T&E Committee discussed FY20 Solid Waste charges on April 29 as part of its review of the FY20 DEP Division of Solid Waste Services budget and concurred with the Executive's recommended charges.**
- On May 9, the Council concurred with the T&E Committee recommendations regarding the DEP Division of Solid Waste Services budget and Solid Waste charges for FY20.

***NOTE:** In tandem with the Solid Waste Service Charges resolution, the Executive transmits an Executive Regulation (ER) each year, setting residential waste estimates. The regulation for FY20 (ER 15-19) was received from the County Executive on May 10. It is scheduled for action on May 15 (Agenda Item #1B).*

This report contains:

County Executive Transmittal dated March 15, 2019	©1
Draft FY20 Solid Waste Service Charges Resolution	©2-4
Excerpt of Staff Report to the Committee	©5-9
Excerpt of FY20 County Executive Recommended Budget	©10-12

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¹ The May 9 Council Staff Report is available at:

https://www.montgomerycountymd.gov/council/Resources/Files/agenda/col/2019/20190509/20190509_42.pdf.



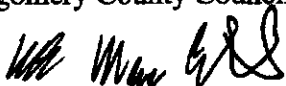
OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Marc Elrich
County Executive

MEMORANDUM

March 15, 2019

TO: Nancy Navarro, President, Montgomery County Council

FROM: Marc Elrich, County Executive 

SUBJECT: FY20 Solid Waste Services Charges

The purpose of this memorandum is to transmit the proposed resolution for FY20 Solid Waste Services Charges. The proposed charges are consistent with my FY20 Recommended Operating Budget. I recommend the Council adopt this resolution as part of its deliberations on the FY20 Operating Budget.

ME:tl

Attachment: Resolution – FY20 Solid Waste Services Charges

c: Andrew Kleine, Chief Administrative Officer
Fariba Kassiri, Deputy Chief Administrative Officer
Richard Madaleno, Director, Office of Management and Budget
Alexandre A. Espinosa, Director, Department of Finance
Adam Ortiz, Director, Department of Environmental Protection

Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: Council President at the Request of the County Executive

SUBJECT: FY20 Solid Waste Service Charges

Background

1. Each fiscal year and in accordance with County Code Section 48-31, the County Council must set, by resolution, the base solid waste charges, the residential systems benefit charge, and the nonresidential systems benefit charge and all other solid waste service, collection, and disposal charges and fees.
2. Each fiscal year and in accordance with County Code Section 48-8A(b)(1), the County Council must set, by resolution, the rates for the residential and nonresidential systems benefit charges.
3. Under County Code Sections 48-47(c)(1) and (2), the County has established a Leaf Recycling Service Area in which special fees are charged for leaf recycling services.
4. On March 15, 2019, the County Executive recommended, effective July 1, 2019, solid waste charges including the residential Base Systems Benefit Charge which, when multiplied by the generation rates (set by Executive Regulation 15-19), yield household charges for FY20:

Refuse Collection Charge:

For single-family households and dwellings in buildings with six or fewer dwelling units located within Sub-district A of the Solid Waste Refuse Collection District:

Once weekly refuse collection charge \$95.00 / Household

Disposal Fee (Applies to All Single-Family Households and Dwellings in Buildings Comprised of Six or Fewer Dwelling Units Outside of Municipalities)

Disposal fee (Tip Fee x Tons Disposed per Household) \$60.00 x 0.85867 =
\$51.52 / Household

Systems Benefit Charge for Single-Family Households and Dwellings in Buildings Comprised of Six or Fewer Dwelling Units:

Base Systems Benefit Charge =

Base Cost / Ton x Generation / Household - Offset from Disposal Fees:
 $\$41.0073 / \text{Ton} \times 1.7678 \text{ Ton} / \text{Household (ER 15-19)} - \$51.52 / \text{Household} =$
 $\$20.97 / \text{Household}$

Incremental Systems Benefit Charge =

Charge Rate (\$ / Ton Waste Generated) x Generation / Household:
 $\$79.6300 \times 1.7678 = \$140.77 / \text{Household}$

Systems Benefit Charges for Multi-Family Properties in Buildings Comprised of Seven or Greater Dwelling Units (Charge per Dwelling Unit):

Base Systems Benefit Charge =

Base Cost / Ton x Tons Generated / Dwelling - Tip Fee Offsets
 $\$41.0073 / \text{Ton} \times 0.9968 \text{ Ton} / \text{Dwelling (ER 15-19)} - \$36.48 / \text{Dwelling} =$
 $\$4.39 / \text{Dwelling}$

Incremental Systems Benefit Charge =

Charge Rate (\$/Ton Waste Generated) x Generation / Dwelling:
 $11.7085 \times 0.9968 = 11.67 / \text{Dwelling}$

Total multi-family Systems Benefit Charge on property bill \$ 16.06 / Dwelling

Nonresidential Properties:

Base and Incremental Systems Benefit Charges by waste generation category per billable unit of 2,000 square feet of gross floor area of property improvement on real property as reported by the State Department of Assessments and Taxation:

<u>Generator Category</u>	<u>Base (\$/GFA Unit)</u>	<u>Incremental (\$/GFA Unit)</u>	<u>Total (\$/GFA Unit)</u>
Low	\$ 68.27	\$ 50.96	\$ 119.23
Medium Low	\$ 204.80	\$ 152.87	\$ 357.67
Medium	\$ 341.34	\$ 254.79	\$ 596.13
Medium High	\$ 0.00	\$ 0.00	\$ 0.00
High	\$ 614.41	\$ 458.61	\$1,073.02

Solid Waste Charges per ton for solid waste:

Refuse received at the Transfer Station (weighing > = 500 lb/load)	\$ 60.00
Refuse received at the Transfer Station (weighing < 500 lb/load)	\$ 0.00
Materials delivered for disposal in open-top roll-off boxes	\$ 70.00
All Yard Trim received at the Transfer Station (weighing > 500 pounds/load)	\$ 46.00
Scrap metal delivered to the Transfer Station	\$ 0.00
Recyclable paper received at the County's Recycling Center	\$ 0.00
Commingled containers received at the County's Recycling Center	\$ 0.00
Source separated recyclable materials dropped off at the recycling drop-off area of the Transfer Station	\$ 0.00

Leaf Vacuuming charge in the Leaf Recycling Service Area:

Single-family Household	\$ 108.16
Multi-family Residential Unit	\$ 4.26

Action

The County Council approves the above solid waste charges, effective July 1, 2019.

This is a correct copy of Council action.

Megan Davey Limarzi, Esq.
Clerk of the Council

Council Staff Report Excerpt

SOLID WASTE CHARGES

The County's solid waste programs are primarily funded by various solid waste charges that support the dedicated Enterprise funds (see ©19 for descriptions of the different charges). Solid waste charges are established through an annual Council resolution (introduced on April 2 and attached on ©25-27). The Council is tentatively scheduled to take action on the solid waste charges on May 15.

The FY19 Approved and FY20 County Executive Recommended charges are presented on the following page. The circled items present the total charges that appear on residential property tax bills, depending on the services provided to a property.

As noted earlier, RRF electric sales revenue in FY20 will be higher than previously expected or assumed in the FY20 budget. This additional revenue will result in lower RRF program costs in the Disposal Fund and therefore could be used to reduce solid waste charges. However, given the uncertainty of this revenue source going forward and the potential implementation of new programs and facility changes considered in the current solid waste master planning process, **Council Staff recommends leaving the FY20 solid waste charges as recommended by the Executive.**

**Table #7
Solid Waste Charges (FY19 and FY20)**

Charge	Approved FY19	Recommended FY20	% Change From FY19
SINGLE FAMILY			
Base Systems Benefit Charge	\$25.78	\$20.97	-18.7%
Incremental Systems Benefit Charge	\$127.85	\$140.77	10.1%
Disposal Fee	\$51.48	\$51.52	0.1%
Leaf Vacuuming Charge	\$102.93	\$108.16	5.1%
Refuse Collection Charge	\$77.00	\$95.00	23.4%
Total Charges, Households Receiving:			
Recycling Collection Only	\$205.11	\$213.26	4.0%
Recycling and Leaf Collection	\$303.10	\$321.42	6.0%
Recycling and Refuse Collection	\$275.11	\$308.26	12.0%
Recycling, Leaf and Refuse Collection	\$373.10	\$416.42	11.6%
MULTI-FAMILY			
Base Systems Benefit Charge	\$1.33	\$4.39	230.1%
Incremental Systems Benefit Charge	\$14.73	\$11.67	-20.8%
Leaf Vacuuming Charge	\$4.08	\$4.26	4.4%
Total Charges			
Units inside Leaf Vacuuming District	\$20.14	\$20.32	0.9%
Units outside Leaf Vacuuming District	\$16.06	\$16.06	0.0%
NONRESIDENTIAL			
(by waste generation category per 2,000 sq. feet of gross floor area)			
Low	\$119.23	\$119.23	0.0%
Medium Low	\$357.67	\$357.67	0.0%
Medium	\$596.13	\$596.13	0.0%
Medium High	\$0.00	\$0.00	n/a
High	\$1,073.02	\$1,073.02	0.0%
TIPPING FEES			
Refuse (weighing >500 lbs per load)	\$60.00	\$60.00	0.0%
Refuse (weighing 500 lbs per load or less)	\$0.00	\$0.00	0.0%
Refuse in Open Top Containers	\$70.00	\$70.00	0.0%
All Yard Trim (weighing >500 lbs per load)	\$46.00	\$46.00	0.0%
All Yard Trim (weighing 500 lbs per load or	\$0.00	\$0.00	0.0%
Other Recyclables	\$0.00	\$0.00	0.0%

1. System Benefit Charges

Base System Benefit Charges (BSBC) cover the cost of general solid waste system infrastructure and administration and are allocated among the single-family residential, multi-family residential, and non-residential sectors in proportion to each sector's estimated waste generation. For FY20, base

system costs are estimated at \$52.6 million (see ©24, which is a slight decrease from the FY19 amount of \$54.9 million) and are allocated to single-family, multi-family, and non-residential properties based on waste generation assumptions for each sector. These charges appear on all property tax bills (residential and non-residential properties, both within and outside municipalities).

The Incremental System Benefit Charge (ISBC) is assessed on the different sectors, based on actual services received (mostly related to curbside recycling and composting services). For FY20, incremental system benefit costs are estimated at \$40.5 million (an increase of \$4.1 million from the approved amount of \$36.4 million). These charges are adjusted from year to year, partly as a result of increased costs in recycling and composting, but also because DSWS works to smooth overall impacts within the different rate categories (single-family, multi-family, and non-residential) across the six-year fiscal plan period. This stabilization effort is accomplished by the different categories either borrowing or paying back the fund balance reserve in different years over the six-year period. The net change over the six-year period is zero, but changes can be substantial in a given year and can result in the charge going up or down in the different sectors.

For purposes of considering the total impact on ratepayers, one needs to look at the “Total Charges” lines in the chart. DSWS’ goal is to try to smooth increases and decreases in these overall charges over time.

Depending on the services provided, for FY20, single-family properties would see increases ranging from 4.0 to 12 percent and multi-family properties would see basically flat rates (increases between zero and one percent).

2. Non-Residential (Commercial) Charges

The charges for the non-residential sector are comprised of the BSBCs and the ISBCs. These charges are computed based on Gross Floor Area Unit (GFAU) data from the State Department of Assessments and Taxation (SDAT) records. The FY20 charges are recommended to remain unchanged from FY19. *NOTE: According to the Non-Residential Waste Generation Study completed in July 2016, no businesses’ land use codes are in the medium high generation category at this time. Therefore, the FY19 and FY20 fee schedule does not reflect any charges for the medium high generator category.*

3. Refuse Disposal Tip Fees

The tip fee is the per ton fee charged businesses, institutions, and residents at the County’s Transfer Station. The Executive does not recommend any changes in these fees for FY20.

For FY18, a \$4.0 increase in the standard refuse tipping fee (from \$56 to \$60 per ton for weights exceeding 500 pounds) was recommended by the Executive and approved by the Council. A \$4.0 increase in the tipping fee for open top containers (from \$66 to \$70 per ton) was also recommended and approved for FY18. The tip fee serves as an economic flow control mechanism to help the County manage waste volumes so that the County can optimize the use of the RRF while staying within the facility’s permit capacity. Recent tonnage projections (shown earlier) reflect increasing tonnages at the RRF and the possibility that the County could exceed its permitted capacity within the next six years. These trends suggest that future increases in tip fees may be needed to control flows to the RRF.

4. Recycling Tip Fees

The Executive continues to recommend no fee for source-separated recyclable materials dropped off at the recycling drop-off area of the Transfer Station.

5. Refuse Collection Charge and Disposal Fee and Charges

Refuse collection charges (for Subdistrict A, where the County contracts directly with haulers to provide once-per-week refuse collection) support the Solid Waste Collection Fund and are set with a policy goal of keeping retained earnings at a level of 10 to 15 percent of resources across the six-year fiscal period. However, as noted earlier, the Collection Fund has been strained by collection contract cost increases. As a result, the Executive recommended and the Council approved a significant increase in the collection charge in FY19 (from \$70 to \$77), and noted in the Fiscal Plan for the Collection Fund that further increases would also be needed in FY20 and beyond. **For FY20, the Executive recommends an increase in the charge from \$77 to \$95.**

The Solid Waste Disposal Fee and charges are developed through a complex rate model (see summary document on ©24). DSWS calculates the necessary rates for each sector to cover both base and incremental costs. Rate smoothing with available fund balance is also done across a six-year projection period, both at the macro level and within each sector. The policy goal is to have positive cash balances over reserve and liability requirements in the Disposal Fund.

6. Leaf Vacuuming Charge (see Recommended Fiscal Plan on ©22)

This program is managed by the Department of Transportation (DOT). The leaf vacuuming fund covers the costs for the program (two scheduled leaf vacuuming pickups) through fees paid by residents in the leaf vacuuming district (via property tax bills). The Leaf Vacuuming Fund is charged by the Disposal Fund for a portion of its costs associated with the composting of leaves collected by leaf vacuuming services.

The charge was increased in FY16 from \$88.91 to \$93.00 for single-family homes and from \$3.54 to \$3.70 for multi-family properties. This increase was initiated by the Council to smooth a projected large fee increase assumed by the Executive from FY16 to FY17 (\$88.91 to \$101.10). The increase in FY16 was estimated to bring down the FY17 requirement to \$97.02.

In FY17, an increase from \$93.00 to \$97.99 for single-family homes and from \$3.70 to \$3.86 for multi-family properties was approved.

No change in the single-family or multi-family leaf vacuuming charge was made in FY18. However, the charge from the Disposal Fund was also deferred in FY18. The Disposal Fund charge was reinstated in FY19 and the FY18 deferred charge was allocated in future payments as well. For FY19, the charge for single-family homes was increased from \$97.99 to \$102.93 and from \$3.86 to \$4.08 for multi-family properties.

For FY20, the charge for single-family homes is recommended to increase from \$102.93 to \$108.16 and from \$4.08 to \$4.26 for multi-family properties.

Summary

Overall, the Executive is recommending significant increases (4 to 12 percent) in single-family residential solid waste charges, flat to one percent increases in multi-family charges, and no increases in non-residential solid waste charges and tip fees for FY20.

Council Staff supports the FY20 Solid Waste charges as recommended by the Executive.

NOTE: A resolution approving the FY20 Solid Waste charges is scheduled for Council action on May 15.

NOTE: In tandem with the Solid Waste charges resolution, the Executive transmits an Executive Regulation (ER) each year, setting residential waste estimates. The current regulation (ER 15-19) for FY20 was advertised in the April register and will be acted upon by the Council when it is received.

SUMMARY OF COUNCIL STAFF RECOMMENDATIONS

- Approve the Recommended Budget with the following changes:
 - Assume additional RRF electricity revenue in the Disposal Fund from renewable energy credits.
 - Move funding for the non-profit A Wider Circle from Solid Waste to elsewhere in the County Budget.
- Approve the FY20 Solid Waste Charges as recommended by the County Executive. *NOTE: Action on FY20 Solid Waste charges is scheduled for May 15.*

Attachments

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FY20 Solid Waste Service Charges

- **1. Purpose**

- To fund solid waste management services provided to residents and businesses in Montgomery County through service charges to all entities that benefit from such services.

- **2. Classification of Service Charges**

- There are five basic categories of service charges:

Base Systems Benefit Charge - Paid by all entities to cover costs of system administration, historical debt service, waste reduction, and "stand-by" disposal capacity.

Incremental Systems Benefit Charge - Paid by entities based on sector- specific services they receive (single-family homeowners pay for curbside recycling collection and processing, businesses pay for the commercial recycling program, etc.)

Disposal Charges - Paid as a service charge via the tax bill or at the Transfer Station by all entities who deliver solid waste to Montgomery County for disposal. At the Solid Waste Transfer Station, this charge is referred to as the "Tipping Fee" for accepting municipal solid waste for disposal.

Leaf Vacuuming Charge - Covers the cost of leaf vacuuming service provided in the Leaf Vacuuming District.

Refuse Collection Charge - Paid by homeowners who receive once weekly refuse collection service by County contractors.

- **3. Implementation of Service Charges**

- Service charges are collected from the various sectors in the following manner:

	Base Systems Benefit	Incremental Systems Benefit	Disposal Charge	Leaf Vacuuming Charge	Refuse Collection Charge
Unincorporated Single-Family	Via tax bill	Via tax bill	Via tax bill	Via tax bill to those serviced	Via tax bill to those serviced
Incorporated Single-Family	Via tax bill	Not applicable	Charged at Transfer Station	Not applicable	Not applicable
Unincorporated Multi-family	Via tax bill	Via tax bill	Charged at Transfer Station	Via tax bill to those serviced	Not applicable
Incorporated Multi-family	Via tax bill	Via tax bill	Charged at Transfer Station	Not applicable	Not applicable
Unincorporated Non-Residential	Via tax bill	Via tax bill	Charged at Transfer Station	Not applicable	Not applicable
Incorporated Non-Residential	Via tax bill	Via tax bill	Charged at Transfer Station	Not applicable	Not applicable



FY20 SOLID WASTE SERVICE CHARGES TO BE COLLECTED VIA REAL PROPERTY ACCOUNT BILLING

Code Reference	Base Charge (\$/ton)	x	Billing Rate (tons/H-H)	=	Disposal Charge	+	Base Systems Benefit Charge	+	Incremental Systems Benefit Charge	+	Refuse Collection Charge	+	Leaf Vacuuming Charge	=	Total Bill
	48-32(a)(1)				48-32(c)(2)		48-8A(b)(2)(A)		48-8A(b)(2)(B)		48-29		48-47		
SUBDISTRICT A (Refuse Collection District)*															
Inside Leaf Vacuuming District	\$ 60.00		0.85867		\$ 51.52		\$ 20.97		\$ 140.77		\$ 95.00		\$ 108.16		\$ 416.42
Outside Leaf Vacuuming District	\$ 60.00		0.85867		\$ 51.52		\$ 20.97		\$ 140.77		\$ 95.00				\$ 308.26
Incorporated							\$ 20.97								\$ 20.97
SUBDISTRICT B SINGLE-FAMILY**															
Incorporated							\$ 20.97								\$ 20.97
Inside Leaf Vacuuming District							\$ 20.97		\$ 140.77				\$ 108.16		\$ 321.42
Unincorporated	\$ 60.00		0.85867		\$ 51.52		\$ 20.97		\$ 140.77						\$ 213.26
Outside Leaf Vacuuming District							\$ 20.97		\$ 140.77						\$ 213.26
Unincorporated	\$ 60.00		0.85867		\$ 51.52		\$ 20.97		\$ 140.77						\$ 213.26
MULTI-FAMILY RESIDENTIAL**															
Incorporated							\$ 4.39		\$ 11.67						\$ 16.06
Unincorporated							\$ 4.39		\$ 11.67						\$ 16.06
Outside Leaf Vacuuming District							\$ 4.39		\$ 11.67						\$ 16.06
Inside Leaf Vacuuming District							\$ 4.39		\$ 11.67				\$ 4.26		\$ 20.32
NONRESIDENTIAL - \$/2,000 SQ. FT. ***															
Code Reference															
Waste Generation Categories															
Low							\$ 68.27		\$ 50.96						\$ 119.23
Medium Low							\$ 204.80		\$ 152.87						\$ 357.67
Medium							\$ 341.34		\$ 254.79						\$ 596.13
Medium High							\$ -		\$ -						\$ -
High							\$ 614.41		\$ 458.61						\$ 1,073.02
OTHER FY20 SOLID WASTE FEES															
Base Solid Waste Charge under Section 48-32(a)(1):															
(This is known as the "Tipping Fee") \$ 60.00 /disposal ton															
Waste delivered for disposal <500 lb loads in privately owned and operated vehicles or trailers <1,000 capacity per Section 48-32(c)(2) \$0.00/disposal ton															
Solid Waste Service Charges (Section 48-32(a)(2)):															
Paper and Commingled Containers \$0.00 /ton															
Solid Waste Service Charges (Section 48-32(b)(2)):															
All Yard Trim received at the Transfer Station (weighing > 500 pounds/load) \$46.00 /ton															
Waste delivered in open-top roll-off box \$ 70.00 /disposal ton															
Miscellaneous (48-31(f)): Compost Bins \$0.00 each															

* Note: Base Systems Benefit Charges are set to cover County Base Systems Costs net of Disposal Charges.
 ** With respect to Base and Incremental Systems Benefit Charges, this category includes dwellings in buildings of six or fewer households.
 *** The Nonresidential rate multiplied by the total number of 2,000 square foot units of enclosed area equals the nonresidential charge.