



Interoffice Memorandum

May 24, 2021

TO: Mayor Jerry L. Demings
-AND-
County Commissioners

FROM: Ed Torres, MS, PE, LEED AP, Director
Utilities Department

**SUBJECT: BCC AGENDA ITEM - Discussion Agenda
June 8, 2021 BCC Meeting
Tentative Mandatory Refuse Collection Program MSBU Rate
Contact Person: David Gregory, Manager
Solid Waste Division
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Orange County has contracted with waste hauling companies (Haulers) to provide residential solid waste and recyclable materials collection service through the Mandatory Refuse and Recycling Program (Program). Section 32-183 of the Orange County Code requires that the Board set the annual compensation rate to the contract waste hauling companies for collection of solid waste and recyclable material by July 15th of each year. Additionally, in order to include the Municipal Services Benefit Unit (MSBU) assessment for the Program on the Notice of Proposed Taxes, the Board also needs to set the tentative MSBU rate per household. This memo outlines the Program cost components, the Hauler compensation, and the MSBU rate recommendation for Program Year 2022. The final approval of the MSBU rate will occur during the first budget public hearing in September.

The MSBU rate has six main components: Hauler compensation costs, disposal costs, Program administration costs, recycling costs, cart costs, and reserves/rate stabilization component.

Hauler Compensation Component

In accordance with Section 11, Special Terms and Conditions of the Residential Solid Waste and Recyclable Collection Services Term Contract, the Haulers shall receive an annual adjustment in the compensation per household based on changes in the Consumer Price Index and Producer Price Index as explained in Attachment D of the collection contract. The compensation to the contract haulers for calendar year 2022 will be as follows:

Zone 1	\$141.44	per Residential Unit
Zone 2	\$174.95	per Residential Unit
Zone 3	\$152.32	per Residential Unit
Zone 4	\$123.54	per Residential Unit
Zone 5	\$125.72	per Residential Unit

The system average for the 2022 hauler compensation component is \$144.84 per household. This is a \$0.17 or 0.1 percent overall decrease from the 2021 hauler collection component.

Disposal Component

The disposal component of the MSBU represents the cost for disposing of residential solid waste material. The projected system average disposal per household is 1.08 tons of Class I and 0.26 tons per household for yard waste. The average system disposal cost is increased because of projected increases in household tons disposed based on recent sustained trends and a proposed three percent increase in tipping fees. The annual disposal component for 2022 is projected at \$50.90 per household for 2022. This represents a \$3.94 or 8.4 percent increase from the 2021 disposal component.

Program Administration Component

The program administration component represents the cost per household for operation and administration of the Mandatory Refuse and Recycling Program. Administration cost decreases are projected for 2021 partially attributable to more recyclables being accepted, reducing reject hauling costs. For 2022, program administration costs are \$12.56 per household, a decrease of \$4.30 or 25.5 percent from the 2021 cost component.

Recycling Component

The recycling component represents costs associated with processing collected recyclables and the Recycling Quality Improvement Program that provides enhanced education and direct curbside feedback to residents about their setout recyclables. The 2022 recycling component includes continuing the Recycling Quality Improvement Program, increased costs associated with larger quantities of recycling expected to be accepted, and higher costs associated with the new recycling processing contract operating for a full-year compared to nine months in 2021. For 2022, program recycling component costs are \$26.08 per household, an increase of \$11.08 or 73.9 percent from the 2021 cost component.

Cart Component

The cart component represents the cost per household per year for the purchase of new and replacement carts over the term of the contract. For 2022, the cart component calculates to \$12.94 per household, which is a decrease of \$1.16 or 8.2 percent from the 2021 component.

Reserves/Rate Stabilization Component

The rate stabilization/reserves component provides funding for reserves that need to be replenished after the initial \$20 million cart purchase in 2015 and to help smooth out any required future rate increases. For 2022, the reserves/rate stabilization component costs are \$2.68 per household, a decrease of \$4.39 from the 2021 cost component.

MSBU Rate Recommendation

The total cost of the program with the reserves/rate stabilization component for 2022 is \$250 per household an increase of \$5.00 or 2.0 percent from 2021. Staff recommends setting the MSBU rate for 2022 at \$250 per household.

A summary of rate components are shown in the table below.

2022 Tentative Mandatory Refuse Collection Program MSBU Rate Components

Component	Current 2021	Proposed 2022	Variance
Collection	\$145.01	\$144.84	(\$0.17)
Disposal	\$46.96	\$50.90	\$3.94
Administration	\$16.86	\$12.56	(\$4.30)
Recycling	\$15.00	\$26.08	\$11.08
Carts	\$14.10	\$12.94	(\$1.16)
Reserves/Rate Stabilization	\$7.07	\$2.68	(\$4.39)
MSBU Rate per Household	\$245.00	\$250.00	\$5.00

Action Requested:

Approval to establish the haulers compensation rates as listed, set the MSBU rate of \$250 for Program Year 2022, and authorization to include the Tentative Mandatory Refuse Collection Program Rate of \$250 on the 2021 Notice of Proposed Taxes.

All Districts.