



Interoffice Memorandum

June 3, 2019

TO: Mayor Jerry L. Demings
and Board of County Commissioners

FROM: Raymond E. Hanson, P. E., Director
Utilities Department

**SUBJECT: BCC AGENDA ITEM - Discussion Agenda
June 18, 2019 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 MSBU rate per household. This memo outlines the Program cost components, the hauler compensation, and the MSBU rate recommendation for Program Year 2020. The final approval of the MSBU rate will occur during the first budget public hearing in September.

The Mandatory Refuse and Recycling Program MSBU rate has six main components: Hauler Compensation, Disposal Costs, Program Administration Costs, Recycling Costs, Cart Costs, and a Rate Stabilization/Reserves 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 2020 will be as follows:

Zone 1	\$142.36	per Residential Unit
Zone 2	\$176.10	per Residential Unit
Zone 3	\$153.32	per Residential Unit
Zone 4	\$124.35	per Residential Unit
Zone 5	\$126.55	per Residential Unit

The system average for the 2020 hauler compensation component is \$154.54 per household and is recommended by staff. This is a \$1.47 or 1.0 percent overall increase from the 2019 hauler collection component.



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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 1.17 tons of Class I and 0.25 tons per household for yard waste. The annual disposal component for 2020 is projected at \$48.08 per household for 2020. This represents a \$0.96 or 2.0 percent increase from the 2019 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. For 2020, program administration costs are \$15.46 per household, a decrease of \$0.05 or 0.3 percent from the 2019 cost component.

Recycling Component

The recycling improvement component represents costs associated with processing collected recyclables, transportation of any rejected tonnage, and the Recycling Quality Improvement Program that provides enhanced education and direct curbside feedback to residents about their setout recyclables. The current recycling processing contract expires in June 2020, so the 2020 recycling component includes increased costs associated with higher estimated processing costs associated with the new recycling processing contract. For 2020, program recycling component costs are \$7.90 per household, an increase of \$1.96 or 33 percent from the 2019 cost component.

Cart Component

The cart component cost represents the cost per household per year for the purchase of new and replacement carts over the term of the contract. For 2020, the cart component calculates to \$13.53 per household, which is an increase of \$2.44 or 22 percent from the 2019 component. This cost increase is principally due to the increased budget for on-going cart replacement needs due to lost or stolen carts.

Rate Stabilization/Reserves

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 2020, \$0.51 per household will be taken from the Rate Stabilization/Reserves component to keep rates at \$230 per household.

MSBU Rate Recommendation

The total cost of the program without the rates stabilization/reserves component for 2020 is \$230.51 per household. Staff recommends setting the MSBU for 2020 at \$230 per household the same rate as 2019.



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

2019 Tentative Mandatory Refuse Collection Program MSBU Rate Components

Component	Current 2019	Proposed 2020	Variance
Collection	\$144.07	\$145.54	\$1.47
Disposal	\$47.12	\$48.08	\$0.96
Administration	\$15.51	\$15.46	(\$0.05)
Recycling	\$5.94	\$7.90	\$1.96
Carts	\$11.09	\$13.53	\$2.44
Contingency/Rate Stabilization	\$6.27	(\$0.51)	(\$6.78)
MSBU Rate per Household	\$230.00	\$230.00	\$0.00

Action Requested:

Approval to establish the haulers compensation rates as listed, set the MSBU rate at \$230 for Program Year 2020, and authorization to include the Tentative Mandatory Refuse Collection Rate of \$230 on the 2019 Notice of Proposed Taxes.

All Districts