



## Interoffice Memorandum

May 21, 2018

**TO:** Mayor Teresa Jacobs  
and Board of County Commissioners

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

A handwritten signature in black ink, appearing to be "R. Hanson", written over the "FROM:" line.

**SUBJECT: BCC AGENDA ITEM – Discussion Agenda  
June 5, 2018 BCC Meeting  
Tentative Mandatory Refuse Collection Program MSBU Rate  
Contact Person: David Gregory, Manager  
Solid Waste Division  
407-254-9622**

Orange County has contracted with waste hauling companies 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 15 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 2019. 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 Improvement 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 contractors 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 2019 will be as follows:

Zone 1	\$141.20	per Residential Unit
Zone 2	\$174.66	per Residential Unit
Zone 3	\$152.07	per Residential Unit
Zone 4	\$123.34	per Residential Unit
Zone 5	\$125.52	per Residential Unit

The system average for the 2019 hauler compensation component which includes the annual increase is \$144.07 per household and is recommended by staff. This is a \$2.35 or 1.7 percent overall increase from the 2018 hauler collection component.

June 5, 2018 BCC Discussion Agenda – Tentative Mandatory Refuse Collection Program MSBU Rate  
May 21, 2018  
Page 2

### **Disposal Component**

The disposal component of the MSBU represents the cost for disposing of the residential solid waste material. Based on the system average of projected disposal quantities of 1.14 tons per household for Class I refuse and 0.25 tons per household for yard waste, the annual disposal component for calendar year 2019 is projected at \$47.12 per household for 2019. This represents a \$0.51 or 1.1 percent increase from the 2018 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 2019, program administration costs are \$15.51 per household, an increase of \$0.55 or 3.7 percent from the 2018 cost component.

### **Recycling Improvement Component**

The recycling improvement component is a new factor in the MSBU rate calculation for 2019. Increased contamination in the residential recycling stream combined with challenges in the world-wide market for recyclable commodities have led processors to place stricter limits on contamination in the materials they will accept. To help our residential customers improve the recyclable materials they place at the curb, the Solid Waste Division will be undertaking a Recycling Improvement Program. The program will include enhanced education and direct curbside feedback to residents about their setout recyclables. Additionally, the recycling improvement component includes increased costs associated with higher processing costs and the hauling of reject materials. As a result of these increased costs, the new recycling improvement component is calculated at \$5.94 per household for 2019.

### **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 2019, the cart component calculates to \$9.19 per household, which is an increase of \$0.36 or 4.0 percent from the 2018 component. This cost increase is due to a 4 percent cost escalation provided for in the Producer Price Index methodology established in the cart contract.

### **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. Over the next several years reserve funds will be rebuilt to provide funding to address future budgetary needs. For 2019, the Rate Stabilization component is \$8.17 per household, an increase of \$0.29 or 3.7 percent from the 2018 amount.

## Interoffice Memorandum

June 5, 2018 BCC Discussion Agenda – Tentative Mandatory Refuse Collection Program MSBU Rate  
May 21, 2018  
Page 3

### MSBU Rate Recommendation

The total cost of the program without the rates stabilization/reserves component for 2019 is \$221.82 per household. Staff recommends setting the MSBU for 2019 at \$230 per household to ensure the program's financial viability while providing funding to replenish reserves that funded the \$20 million cost of the new roll carts.

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

### 2019 Tentative Mandatory Refuse Collection Program MSBU Rate Components

Component	Current 2018	Proposed 2019	Variance
Collection	\$141.72	\$144.07	\$2.35
Disposal	\$46.61	\$47.12	\$0.51
Administration	\$14.96	\$15.51	\$0.55
Recycling Improvement	\$0.00	\$5.94	\$5.94
Carts	\$8.83	\$9.19	\$0.36
Rate Stabilization	\$7.88	\$8.17	\$0.29
MSBU Rate per Household	\$220.00	\$230.00	\$10.00

**Action Requested:** Approval to establish the haulers compensation rates as listed, set the MSBU rate at \$230 for Program Year 2019, and authorization to include the Tentative Mandatory Refuse Collection Rate of \$230 on the 2018 Notice of Proposed Taxes.

**All Districts.**