

City of Rochester Hills

Solid Waste, Recycling and Yard Waste Services Recommendations

Funding Methods

City of Rochester Hills City Council Workshop

January 28, 2004

Solid Waste Project Overview

07/28/99	RRSI presentation to City Council; Issue referred to CDV for further study
06/29/00	CDV forms Citizen's AD Hoc Solid Waste Committee
02/22/01	Citizen's AD Hoc Committee report to CDV
10/29/01	RRSI and AD Hoc Committee recommendation report presented to CDV
02/06/02	Solid Waste recommendation presented to City Council – City Administration asked to identify real costs & funding methods for the City or Rochester Hills

Solid Waste Project Overview

06/06/02	Mayor formed Solid Waste Committee
06/12/02– 03/25/03	Solid Waste Committee worked with consultant RRSI for 9 months to develop program
03/27/03	Presentation and recommendation to CDV committee
05/14/03	Presentation and recommendation to City Council
08/13/03	Service portion of program presented and discussed with City Council

Funding - System Goals

- Lowest start-up costs
- Least on-going administrative burden
- Easy to implement
- Easy to administer
- Least complicated to maintain

Program Funding Options

- **Public Act 298 - Millage**
- **Fee for Service - Billing System**
- **Pay-As-You-Throw (PAYT)**
- **Hauler Franchise**

Public Act 298 – Millage

- **Permits cities to levy up to 3 mills tax**
- **Tax deductible** (Michigan Property Tax Credit)
- **For refuse, recycling, HHW, etc.**
- **Action by City Council only**
- **Vote of residents not required**
- **Primary funding method in area**
 - E.g. Troy, Birmingham, Pontiac

Public Act 298 – Millage

- Spreads cost across all parcels
- Higher value parcels pay more
- Business pays – often not served
- Multi-family pays- service options
- Overall lowers cost to residents
- Very low cost to collect
- Non-pays become lien on property

Fee For Service - Billing System

- Essentially a “user fee”
- Fees match level of service
- Parcel must benefit from the service
- Generally voluntary – can self haul
- Ordinance used to limit to one hauler
- Some examples of this approach in area
 - Bloomfield Township

Fee For Service - Billing System

- All pay same fees
- Higher value parcels pay same
- Businesses/multi-family don't pay
- Charges full cost to residential sector
- Fee collection more costly than millage
- Need collection process for no-pays

Pay-As-You-Throw (PAYT)

- Variation of Fee for Service
- Residents pay for level of service used
- May combine flat fee w/ unit based fee
 - Imprinted Bags
 - Stickers
 - Carts
- Flat Fee often is Act 298 Millage
 - Recycling

Pay-As-You-Throw (PAYT)

- Equitable system
- High generators pay more
- Encourages recycling
- Higher collection costs than millage
- Need collection process for no-pays
- Revenue more difficult to forecast
 - Bulk purchases
- Only tagged items are collected
- Complicated to administer
- Major change in trash collection process for residents

Hauler Franchise

- Variation of fee-for-service
- Hauler is licensed to operate in City
- May license more than one hauler to operate in “franchise districts” in City
- Hauler establishes own fees
- Hauler bills residents

Hauler Franchise

- No clear Michigan legislative authority
- Legal basis not established
- Limits ability to restrict other haulers
- No clear source of savings for residents
- Not used much in Michigan Cities

Funding System Goals

- Lowest start-up costs
- Least on-going administrative burden
- Easy to implement
- Easy to administer
- Least complicated to maintain

Two Primary Funding Options

- **Fee for Service Billing System**

- Costly to implement
- Costly to administer
- Needs collection process for “no-pays”
- Revenue difficult to forecast
- Lowers cost to residents

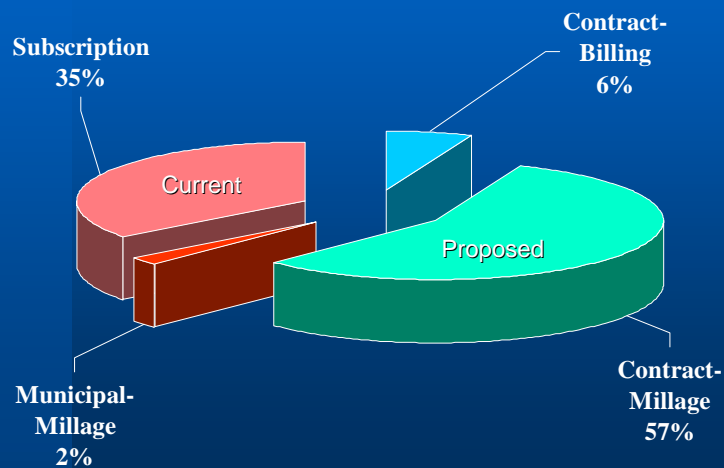
- **Public Act 298 Millage**

- Least expensive to implement
- Least expensive to administer
- Not most equitable
- Tax deductible
- Lowers cost to residents
- Charter/Act 298 Authorizes



Oakland County Communities

- Funding Type By Community Count



Billing Option

- **Five Vendor Proposal Received**
 - One Time Set-up Fees of \$5,000
 - Annual Fees of \$124,000
 - Covers all Printing/Mailing/Processing Fees
- **WMI Billing Proposal**
 - One Time Set-up Fees of \$5,000
 - Annual Fees of \$63,000
- **In-House Option Priced Out**
 - One Time Set-up Fees of \$20,000
 - Annual Personnel Cost of \$60,000
 - Builds on Current Utility Billing System

System Costs to City

Service Category and Cost per Category	MILLAGE Year 1 Total Costs	BILLING Year 1 Total Costs
Residential Services	\$3,094,926	\$3,094,926
Municipal Dumpsters	\$10,435	\$10,435
Contract Management	\$105,000	\$105,000
Household Haz Waste	\$55,000	\$55,000
Millage Method	\$0	---
Billing Method	---	\$80,000
TOTAL	\$3,265,361	\$3,345,361

Cost to Each Parcel

Millage Method

Currently 1 mill = \$3,200,000

$3,265,361 / 3,200,000 = 1.03$ mills

Parcel Taxable Value	Annual Cost Based on 1.03 Mills	Annual Cost With Tax Deduction @ 28%	Monthly Cost	Monthly Cost With Tax Deduction @ 28%
\$70,000 Taxable Value	\$72.10	\$53.06	\$6.13	\$4.41
\$100,000 Taxable Value	\$103.00	\$75.60	\$8.75	\$6.30
\$130,000 Taxable Value	\$133.90	\$98.28	\$11.38	\$8.19
\$160,000 Taxable Value	\$164.80	\$120.96	\$14.00	\$10.08
\$190,000 Taxable Value	\$195.70	\$143.64	\$16.63	\$11.97

Cost to Each Housing Unit

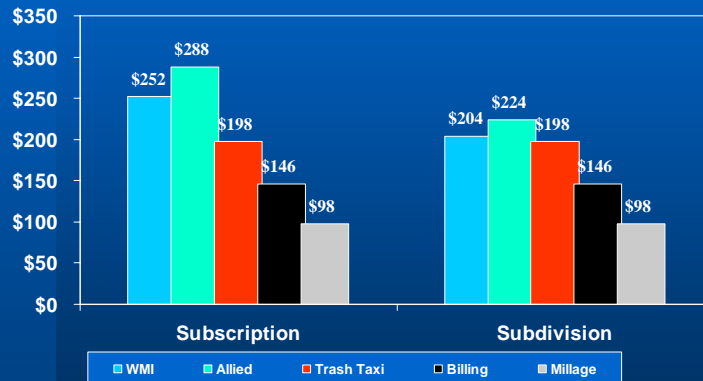
Billing Method

Total Cost to City	# of Housing Units		Cost per Year for Each House
\$3,345,361	/ 23,000	=	\$145.50

Cost increase due to cost of billing process and residential sector paying full cost.

Compare to Current Rates in City

Rate/Year for Comparable Services



Based on RRSI Survey, Fall of 2002.

Millage costs based on median taxable value of \$95,000.

Recommendations

- Move Ahead with Single Hauler System
- Bundled Services w/Fall Leaf Included
- City Does Contractor Management
- Millage Funding System
- Service Starts January 1, 2005
- Prices Guaranteed through 2009
- Price Proposals Good To January 1, 2005