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## Memorandum

**To:** Mayor Merkel and Members of Town Council

**From:** Bill Ashton, Town Manager

**Subject:** Response to Question About the Recyclables Fee

**Date:** May 9, 2020

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During the budget discussion at Tuesday’s Council meeting, a question was asked regarding what quarterly fee would be needed to recover the total cost of the recycle program. Recently, there have also been discussions on the fee required to recover the total cost of the entire solid waste (refuse and recycling) program.

Before discussing the break-even point on recycling or the refuse program in its entirety, I thought it would be good to trace the policy history of the what Chapter 63 of the Herndon Town Code refers to as the “recyclables fee.” The recyclables fee was established in April 1992 and was set at \$30.00 per year or \$7.50 per quarter, in Chapter 62 of the Herndon Town Code. Although there is no record of the cost of recycling in 1992, the staff report given by then Town Manager Rob Stalzer indicated that the annual cost of refuse collection was \$150.00 per household.

The minutes from the April 1992 meeting identified the purpose of the fee was “to help to offset” the additional cost of the recycling program. “Offset” was a deliberate policy choice made by the Council at the time. The minutes from the meeting indicate that refuse collection was viewed as a governmental service that is paid from tax revenues. The purpose for the fee was to offset the cost of a new program—curbside recycling.

The offset policy objective was upheld as a Council policy objective throughout the history of the fee, even though the Council fluctuated the fee over its history. In 1993, the Herndon Town Code dropped the quarterly recyclables fee to \$2.50.

In 2016, Town Council adopted Chapter 63, which completely re-organized and updated the town’s solid waste ordinance. Chapter 62 was repealed at this time. This major policy update left the offset policy intact. At some point between 1993 and 2016, Town Council increased the recyclables fee to \$4.00 per quarter.

In 2019, the Town Council again updated Chapter 63, to include increasing the recyclables fee to \$8.00 per quarter. Please reference the table below for the offset fee’s history, as represented per household. For the purposes of analysis, I could only trace the entire household cost for both refuse and recycling so I indexed the recyclable fee for each year against the total refuse and recycling cost for each household during that year.

| Recyclable Fee: Cost Offset History (per household) |               |           |                |          |          |
|---|---------------|-----------|----------------|----------|----------|
| Year  | Annual        | Quarterly | Recyclable Fee | % Offset |          |
| 1992  | 150.00        | 37.50     | 7.50           | 20.0%    |          |
| 1993  | <i>152.00</i> | 38.00     | 2.50           | 6.6%     |          |
| 2016  | <i>293.24</i> | 73.31     | 4.00           | 5.5%     |          |
| 2019  | <i>307.42</i> | 76.86     | 8.00           | 10.4%    |          |
| 2020  | 313.72        | 78.43     | 16.00          | 20.4%    | Proposed |

Note: Numbers in *italicized green* are estimates

Initially, the percentage of offset in 1992 was 20% of the overall solid waste program cost when the recycling offset policy was set by Council. Over time, the percentage offset was reduced either through Council action or cost of the program. In 2019, Town Council again raised the recyclables fee, which brought the offset percentage to 10.4%. The current proposed increase of the recyclables fee to \$16.00 returns the percentage offset to the level first adopted in 1992—20%.

Total cost recovery is a different policy option than the one staff has been operating under. In cost offset, town policy assumes that solid waste management, for the most part, is a governmental service paid for by taxes. In essence, it is part of the value of being a town resident. Cost recovery would remove solid waste from a governmental service to a fee based service, which is a much different policy choice.

If Council desires to change this policy, the break even points for these services are represented below.

| Cost Recovery: Recyclable and Solid Waste Fees    |               |              |              |               |
|---|---------------|--------------|--------------|---------------|
| Assumptions                                       |               |              |              |               |
| Total Cost of Solid Waste Program                 |               |              | 1,600,000    |               |
| Cost of Recycling Program Only                    |               |              | 647,500      |               |
| Approximate Number of Homes                       |               |              | 5100         |               |
|   | Annual        | Quarterly    | Fee          | % Recovered   |
| <u>Recycling Only</u>                             |               |              |              |               |
| Current   | 126.96        | 31.74        | 8.00         | 25.2%         |
| Proposed  | 126.96        | 31.74        | 16.00        | 50.4%         |
| <b>Breakeven</b>                                  | <b>126.96</b> | <b>31.74</b> | <b>32.00</b> | <b>100.8%</b> |
| <u>Refuse and Recycling (Solid Waste Program)</u> |               |              |              |               |
| Current   | 313.72        | 78.43        | 8.00         | 10.2%         |
| Proposed  | 313.72        | 78.43        | 16.00        | 20.4%         |
| <b>Breakeven</b>                                  | <b>313.72</b> | <b>78.43</b> | <b>79.00</b> | <b>100.7%</b> |

Recovering all costs is a policy option different than the current policy. The town operates several enterprise funds where all business costs are covered by fees: cemetery, golf course, water and sewer, and downtown parking. If Town Council desires to change the policy from offset to cost recovery, we can discuss how to create a solid waste enterprise fund to effectuate this policy decision. Please let me know if this is something you wish to pursue and I will schedule a discussion item on an upcoming work session to begin to lay the groundwork for this change.

Please let me know if you have any questions regarding this matter or if you'd like to see the raw data on the history of the town's recycling program.

Thank you.