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FROM	NAME & TITLE	Robert Cename, Budget Director	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4774		
	SUBJECT	City Council Bill 21-0032R – Informational Hearing Studying the Feasibility of the Small Hauler Incentive		

DATE:

TO

The Honorable President and
Members of the City Council
City Hall, Room 400

April 16, 2021

The Department of Finance is herein reporting on City Council Bill 21-0032R, Informational Hearing Studying the Feasibility of the Small Hauler Incentive Program, the purpose of which is to discuss how the Small Hauler Program can be changed to incentivize Small Haulers to help the City combat illegal dumping and litter. The resolution proposes paying \$75 per ton to Small Haulers as a way to address this issue.

Background

The Small Hauler Program issues permits to the City’s small waste haulers, allowing them to utilize the Quarantine Road Landfill and Northwest Transfer Station for a discounted disposal fee. Waste haulers that contract with others for the collection, transportation, or disposal of solid waste, need a hauler permit. The permit is \$100 per vehicle for vehicles weighing above 7,000 pounds and \$35 for vehicles weighing below 7,000 pounds, which is the qualification for Small Haulers. Prior to this Program, all haulers paid the \$100 fee. The disposal fee for Small Haulers is \$20 per load up to 7,000 pounds. For loads over 7,000 pounds, there is an additional fee of \$3.38 per 100 pounds over 7,000.

Fiscal Impact

Over the past three fiscal years, Small Haulers have deposited 87,511 tons to City landfills. The following table shows the amount of tonnage per year by site, Quarantine Road Landfill (QRL) and Northwest Transfer Station (NWTS), and revenue from Small Haulers.

Fiscal Year	QRL Tons	QRL Revenue	NWTS Tons	NWTS Revenue
2019	4,940	\$193,096	21,012	\$861,146
2020*	6,742	\$144,272	29,067	\$766,282
2021**	4,698	\$172,864	21,052	\$847,536

*3 month of revenue foregone for "Clean It Up" Pilot program

**Totals as of March 2021

The proposed payment to Small Haulers of \$75 per ton will result in an increase in costs for the payments per ton and a decrease in revenue for the foregone payments from Small Haulers. Using monthly averages in tonnage and revenue collected from the past three fiscal years, Finance estimates the annual revenue impact will be \$3.6 million. Due to the nature of the proposal and lack of data related to impacts on illegal dumping, Finance did not complete an analysis of operating expenditure impacts. The table below shows the projected annual revenue impact of this proposal.

Projected Average Yearly Cost	
\$75 Tonnage Payments	\$2,402,358
Foregone Revenue	\$1,209,616
Total	\$3,611,974

Other Considerations

The Department of Finance supports the City's efforts to address the issue of illegal dumping across agencies and with community partners. In addition, Finance is supportive of working together to find ways to improve current services, as well as additional or alternative programs, to improve outcomes for residents. Finance defers to the Department of Public Works (DPW) on possible program implementation concerns and increased use of facilities around this proposal, as well as both DPW and the Department of Housing and Community Development on the impact the Program has had on illegal dumping in the City. However, Finance has some concerns about the proposal discussed in the resolution and the impact on illegal dumping, the City's waste collection and disposal, and the City's finances.

First, Finance was unable to identify other jurisdictions that provide this type of payment for businesses, outside of contracting. Haulers participating in this program are receiving payment from customers pick up and dispose of waste and this proposal would add an additional payment from the City for that disposal. If the City were to pay haulers for this type of service, direct contracting or hiring would be a more cost-effective route. In addition, it would provide the City with greater control over where the waste is hauled from, the total cost of the program, and any rates per ton.

Second, there is no enforcement mechanism to prevent collection from outside the City and then disposal inside the City. This could invite others haulers to collect waste from customers in surrounding jurisdictions and then bring it into the City, thereby increasing the amount of waste for the City to dispose of in the landfill or at Baltimore Refuse Energy Systems Company (BRESKO). This could increase the cost and speed up the filling of the City landfill with waste that is not from City residents, while possibly not addressing the issue of illegal dumping in the City. The City's Quarantine Road landfill is nearing the end of its useful life and on track to reach capacity in 2027 based upon current waste generation conditions. An expansion plan to combine Quarantine Road Landfill and Millennium Landfill to provide additional capacity until early 2036 is expected to begin construction for the first cell by Fiscal 2024.

Finally, while the Program has generated revenue and Northwest Transfer Station is seeing high usage amongst the eligible population, there is evidence to show that it may impact other operational costs over time. For example, the success and popularity of the Program has prevented trash collection vehicles that traditionally used the Northwest Transfer Station from emptying there because of capacity limits. Instead, those trucks are re-routed to BRESKO) or Quarantine Road Landfill to empty. This results in increased miles driven and route completion times, which may potentially lead to increased vehicle maintenance, fuel, and overtime expenses.

Conclusion

The Department of Finance will attend the hearing for this Resolution and respond to any fiscal inquiries.

cc: Henry Raymond
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