

TO: Board of Commissioners

FROM: Sarah Reeves, Executive Director

DATE: March 24, 2025

RE: Solid Waste Management Fee – Recommended Ordinance Revision and Rate Increase

SYNOPSIS

CSWD's Charter authorizes the District to establish fees and other charges to pay for the services and facilities within its area of operation. The District's local Ordinance states that the management fee is to be used to fund District activities necessary to ensure effective, efficient, economical, and environmentally sound management and regulation of solid waste generated within the District. Because the revenue realized from this fee stems from all Chittenden County trash disposed in the landfill, it is borne by all solid waste generators. Neither the law nor the ordinance provides guidance on how the fee is to be determined or describes a mechanism or process for changing the fee, and it is my recommendation that the Board approve language amending the ordinance to provide such guidance.

Additionally, the new Materials Recycling Facility (MRF) project is exceeding initial estimates due primarily to unforeseen occurrences and issues that are out of the District's control or influence. To avoid asking voters to approve additional long-term debt, it is necessary to increase the SWMF to leverage disposed tons to cover capital reserve shortfalls for capital projects other than the new MRF, and eventually replenish what will be a depleted capital reserve fund. To support this effort, all capital projects, except for the MRF and critical operations equipment replacement, will be deferred through FY2028.

HISTORY

CSWD's Charter was adopted in March 1987 by an Act of the Vermont Legislature in accordance with the provisions of 24 V.S.A. Chapter 121, Subchapter 3. The charter provides a wide array of powers and authorities to CSWD as a union municipal district, whose stated purpose is to provide for the efficient, economical, and environmentally sound management of solid waste generated by its member municipalities and their residents. The Charter is specific regarding certain aspects (Powers, Budget Adoption, Long-Term Indebtedness), and broad in others, such as Management Fees. Similar to other Vermont solid waste districts, CSWD charges a management fee on a per-ton basis for waste destined for disposal. The fee is determined at the point of disposal (transfer station or landfill) and is billed to haulers who then remit the fees to the District. CSWD's fee has been changed three times since first established in 1993 at \$17.61. It increased to \$22.06 in 2009, to \$27.00 in 2013, and to \$30.00 in 2024.

Per the Ordinance the management fee is used to fund District activities necessary to ensure effective, efficient, economical, and environmentally sound management and regulation of solid waste generated within the District. The fee has traditionally been used to support both Operations and Administration. With the exception of the hazardous waste program and special waste collection at drop-off centers, the Board has long directed

that District facilities, to every extent possible, pay the cost of operations through tipping fees. The only facility to consistently meet this goal has been the MRF. All revenue generated at the MRF in excess of operational needs was directed to the capital reserve until the implementation of the Reserves Policy which specified a priority funding mechanism to ensure reserve funds were adequate. Once reserve caps are met, excess revenue flows to the next priority reserve fund, and eventually to the capital reserve.

CURRENT STATE OF THE NEW MRF CONSTRUCTION

There are two items to consider related to the new MRF project. The first item is the project's projected cost is exceeding its original budget.

Project Estimates

	Original Estimate	As Bid	Current, estimated
Equipment	\$ 15,000,000	\$ 16,700,000	\$ 16,700,000
Construction	\$ 12,000,000	\$ 14,100,000	\$ 17,100,000
Design	\$ 500,000	\$ 550,000	\$ 650,000
Land	\$ -	\$ -	\$ 3,000,000
Total	\$ 27,500,000	\$ 31,350,000	\$ 37,450,000

The overages are due to rapid increases in construction materials since 2020, the construction delay caused by needing to secure a new site, purchasing the new site, and tariffs being placed on Canadian goods, specifically steel. We don't expect to have a firm estimate of the MRF project until the design specs are rebid in May and June. The design is not extravagant – it is a workhorse of a facility, designed for maximum future flexibility. Even so, initial communication from ReArch is that the delay itself, from last June to now, has cost \$800,000 not including tariffs. General escalation costs are approximately \$1,100,000, and adjusting the building envelope to build office space will cost \$1,000,000. The unexpected need to purchase property costs \$3,000,000, plus ancillary closing costs. And although we will recover \$1,500,000 of that expense, thanks to a generous grant from the VT Agency of Natural Resources, we will not be able to find the estimated \$4,200,000. This is the shortfall in the funding sources.

Sources of Funds

Sources of Funds	Original Need	Need, As Bid	Current Estimate	
Bond	\$ 22,000,000	\$ 22,000,000	\$ 22,000,000	Available
TRP grant	\$ 500,000	\$ 250,000	\$ 250,000	Available
ANR grant	\$ -	\$ -	\$ 1,500,000	Available
CSWD	\$ 5,000,000	\$ 9,100,000	\$ 13,700,000	Short
Project need	\$ 27,500,000	\$ 31,350,000	\$ 37,450,000	

SWMF, the Capital Reserve Fund, and CPI

The second item is, once the new MRF is operational and generating revenue it will be unable to contribute its excess revenue to the capital reserve as that revenue will be needed to pay the debt service on the facility. All revenue generated by the MRF will be needed to pay its operations, debt service, and contribute to its capital replacement plan. This fact was presented to the Board several years ago as part of the Revenue Sufficiency studies for the project.

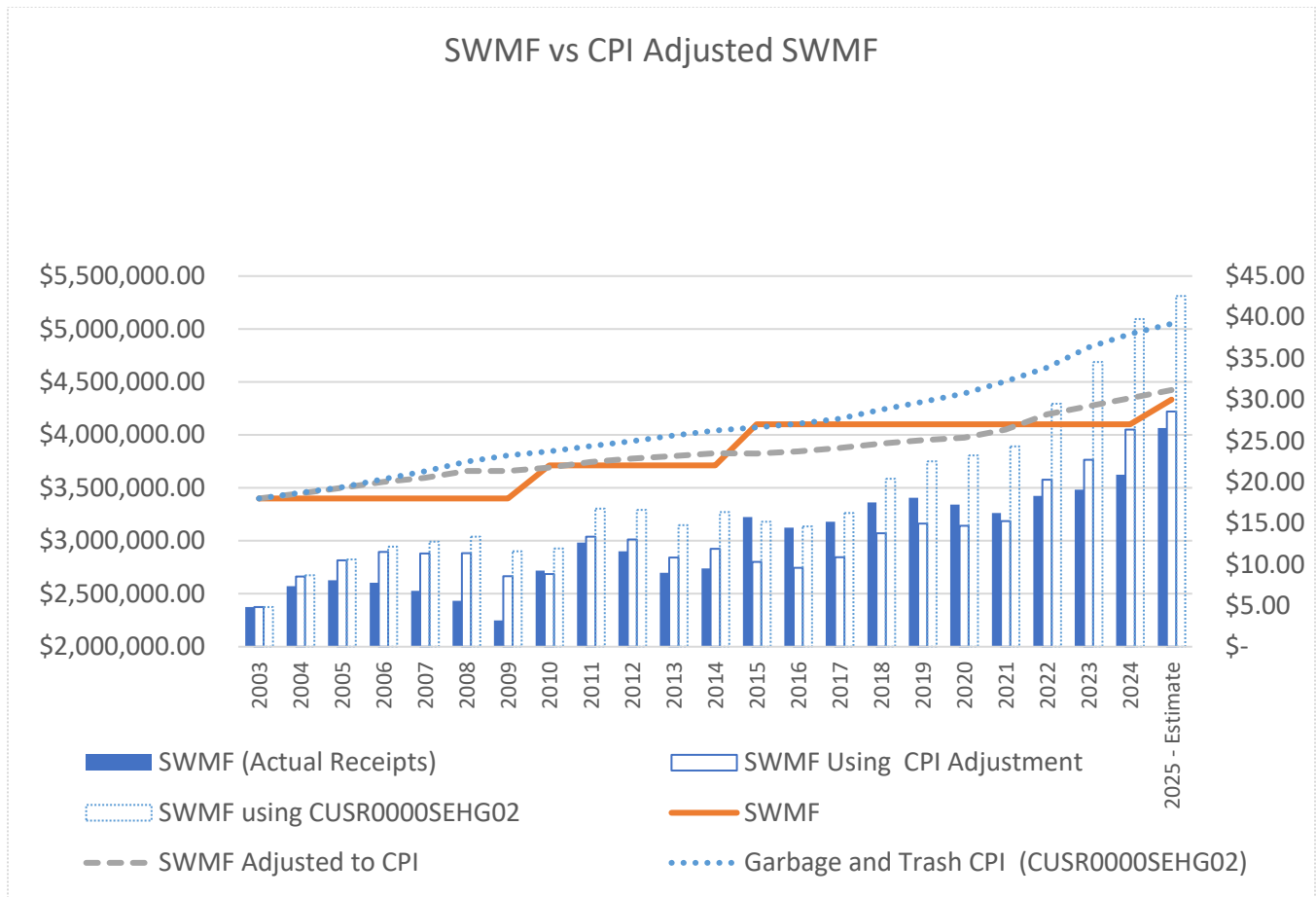
The Drop-Off Center and Organics Recycling Facility programs will need to contribute to the capital reserve fund, and we will be introducing options to increase revenue from those programs, but neither facility will generate enough revenue to adequately fund the entire capital reserve. The Environmental Depot has never, and likely will never, contribute to the capital reserve; this necessary program requires solid waste management fee revenue for over 80% of its operation and has historically received strong Board support for continuing, ongoing subsidy from solid waste management fees.

Reserve Funds

Reserve Funds, projected FY26		1-month need, FY26
Capital	\$ 9,003,400	\$ 750,000
Operating	\$ 1,072,071	\$ 815,391
SWMF	\$ 1,314,899	\$ 304,050
Total, unrestricted	\$ 11,390,370	
Max drawdown	\$ 9,520,928	
Shortfall, MRF project	\$ (4,179,071)	

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The SWMF has rarely kept pace with inflation. Our analysis of 22 years of SWMF shows that, if the fee had been increased annually by the Garbage and Trash CPI (a consumer price index determined by the U.S. Bureau of Labor Statistics), the solid waste management fee today would be \$39.21. This figure will get us very close to solving the MRF project shortfall.



RECOMMENDATIONS

1. Increase Fee as of July 1, 2025

There are two years to make up a shortfall of \$4,200,000. The proposed FY2026 budget was reviewed by the Finance Committee, and staff made significant cuts to expenses and adjustments to revenue. However, those actions were not enough to cover the project shortfall or shore up the capital reserve. To help close the gap in the capital reserve fund, I am recommending increasing the SWMF from \$30/ton to \$40/ton. For FY2026, solid waste management fee revenue is budgeted at \$30/ton, yielding \$3,847,065. Of that, \$3,535,101 is budgeted for expenses related to the programs supported by the fee, leaving just \$311,979 excess revenue to be directed to reserves.

Increasing the fee to \$40/ton generates \$5,129,440, yielding \$1,594,339 for capital reserves. All revenue generated by the solid waste management fee in excess of budgeted program support would be directed to the MRF project. Once the MRF is commissioned and generating revenue to pay for its operations, debt service, and capital needs, excess SWMF revenue would flow into the capital reserve to rebuild that fund. The old MRF would be decommissioned, and my recommendation is to sell the property and direct the proceeds to the capital fund.

Capital projects, other than the new MRF and critical equipment replacements, will be deferred through fiscal years 2026-2028. The impact per ton per person can be difficult to conceptualize, however, per pound looks like this:

		SWMF per pound	SWMF per 25 pounds	SWMF per 50 pounds
Current SWMF, per ton	\$30.00	\$0.015	\$0.38	\$0.75
Proposed SWMF, per ton	\$40.00	\$0.020	\$0.50	\$1.00
Increase, per ton	\$10.00	\$0.005	\$0.13	\$0.25

2. Add Language to Ordinance to Direct How and When Future Increases Occur

The 32-year practice of periodic large jumps to the solid waste management fee has meant that CSWD has always (but for a brief moment in 2015) lagged behind the industry's cost indicator. The rationale as I understand it, was to hold our price steady for as long as possible so that haulers could keep their prices to customers relatively stable. However, as the chart shows costs in general have not remained flat, with the solid waste industry costs rising faster than overall consumer prices. CSWD has experienced this as well, as our costs to manage and move materials skyrocketed over the past decade.

I am recommending that CSWD add language to our Ordinance that would allow the solid waste fee management fee to be adjusted on an annual basis as part of the District's budget process and to specify the use of the Northeast Urban Class B/C Garbage and Trash index, as generated by the U.S. Bureau of Labor Statistics, to determine what the next year's fee should be. I recommend the Garbage and Trash Consumer Price Index as it best reflects the solid waste industry and includes general economic fluctuations. The annual budget process provides the public with four opportunities for comment directly to the District, and 18 individual opportunities via their local Selectboard or City Council. Because CSWD begins its budget process seven months ahead of the next fiscal year, haulers will receive ample notice of an increase and can plan accordingly. Regular, small increases are easier to absorb into a business' cost structure and are easier to pass along to customers as needed.

Specific language will be brought to the Board at the April meeting, after being vetted by the Finance Committee.