

Minutes of the County Commissioners of Worcester County, Maryland

Work Session

January 15, 2019

Diana Purnell, President
Joseph M. Mitrecic, Vice President
Anthony W. Bertino, Jr.
Madison J. Bunting, Jr.
James C. Church
Theodore J. Elder
Joshua N. Nordstrom

The Commissioners met at 10:30 a.m. with Public Works Director John Tustin, Solid Waste Superintendent Mike Mitchell, and Recycling Coordinator Mike McClung, to tour Solid Waste Division operations in the Public Works Department and discuss operational challenges by staff. Also in attendance for the tour were Chief Administrative Officer Harold Higgins, Assistant Chief Administrative Officer Kelly Shannahan, Budget Officer Kathy Whited, and Finance Officer Phil Thompson. Mr. Tustin reviewed the background and history of Solid Waste Operations in Worcester County during the drive to the recycling drop-off area at Berlin Wal Mart where Mr. McClung discussed operational challenges related to the State-mandated recycling operations and issues with the public depositing non-recyclable materials in the recycling bins, which requires sorting by staff, and other larger non-recyclable items around the recycling bins, which must be hand-picked by staff and transported to the Central Landfill for disposal. The tour continued at the Berlin Homeowner Convenience Center on Flower Street where Mr. Mitchell discussed the demand for these conveniently located drop-off centers where County residents can deposit their household trash if they have purchased an annual permit, rather than being required to bring their garbage to the Central Landfill for disposal. The tour then proceeded to the Central Landfill where Mr. Mitchell explained the landfill operations and where Mr. McClung explained the recycling operations. Mr. Tustin recognized the efforts of Mr. McClung which have significantly increased the amount of materials recycled in the County.

The tour concluded at the Worcester County Jail at 1:00 p.m. for lunch and a discussion regarding options investigated by staff to address the annual budget deficit within the Solid Waste Division of Public Works. Enterprise Fund Controller Jessica Wilson, County Attorney Maureen Howarth, and Public Information Officer Kim Moses joined the Commissioners and staff for the discussion at the Jail.

Ms. Wilson reviewed the FY19 Solid Waste Operating Budget, which reflects budgeted revenues of \$4,054,800 and budgeted expenses of \$6,013,316, resulting in an annual deficit of (\$1,958,516). Ms. Wilson pointed out that budgeted expenses exceeded revenues in the following areas: Recycling Operation expenses exceed revenues by a total of \$1,033,339; Homeowner Convenience Center (HOCC) Operations expenses exceed revenues by \$664,984; and in FY19 Solid Waste Operations expenses exceed revenues by \$260,193 due to the new debt for construction of Cell No. 5 at the Central Landfill. She explained that annual losses within the Solid Waste Division result from the tremendous costs associated with operating the HOCCs in

Berlin, Snow Hill, and Pocomoke, and the five unmanned Recycling Drop-Off Centers (RDOC), while the Solid Waste Operations alone are generally self-sufficient. Mr. Tustin provided an analysis of the current operations and presented future considerations developed by staff for the Commissioners' consideration as follows: moving the operations of HOCCs and Recycling out of the Enterprise Fund and into the General Fund, so that the cost of these operations are paid by all County taxpayers as a public service; privatize operations of the HOCCs to relieve the County government of this expense; close HOCCs or reduce operating hours and days to reduce expenses, which has proved significantly unpopular in the past; increase the cost of HOCC permit fees to fully cover all operational costs, which would require increasing the \$100 annual fee to \$302, assuming the County continues to sell 3,200 permits annually; close targeted or all RDOCs; add an environmental surcharge to tax bills for services not intended to support themselves, specifically HOCCs and Recycling; require all yard waste to be disposed of at the Central Landfill to reduce transportation costs (Pocomoke is the only HOCC that accepts yard waste at this time); consider regionalization activities with Wicomico and Somerset Counties through the efforts of the Tri-County Council (TCC) of the Lower Eastern Shore (similar to the TCC for the Mid-Shore, which utilizes a rotating Landfill in Talbot, Queen Anne's, Caroline, and Kent Counties); evaluate the financial and personnel impact of designing, permitting, and constructing a Transfer Station at the Central Landfill to export waste out of the County, perhaps for incineration, following a similar model adopted by the Town of Ocean City several years ago; and/or consider hiring an outside organization to review all operations, manpower, financials, and effectiveness of the Solid Waste Division and offer recommendations to resolve the annual budget issues.

In response to a question by Commissioner Bertino, Ms. Wilson stated that in the past the Solid Waste Division generated enough revenue to save for the cost of constructing new cells, and was also able to cover the cost of HOCC and Recycling operations. However, when the Town of Ocean City opted to incinerate their waste, revenues significantly declined and annual losses were incurred. Specifically regarding savings for new cell construction, Ms. Wilson explained that the County was able to budget for annual depreciation of the current cell, which created the savings necessary to pay for the construction of the next cell without having to borrow for that expense. However, over the past several years the Enterprise Fund has not generated enough savings to fully fund the construction of Cell No. 5, so that cost must be bonded and the associated debt service of roughly \$130,000 per year must now be included in the annual budget. She further stated that the Solid Waste Division plans to resume mining Cell 1 after Cell 5 is complete, which will add roughly \$300,000 to annual expenses, including 3 new employees. In addition, Ms. Wilson proposed annual depreciation costs of \$1.4 million for Cell No. 5 beginning next year in order to save for the eventual construction of Cell No. 6. Mr. Tustin confirmed that it cost roughly \$11.7 million to construct Cell No. 5. In response to a question by Commissioner Elder, Mr. Tustin stated that it would cost roughly the same amount of money to mine and reopen Cell No. 1, as it would to construct a new cell, but that it would also prolong the life of the Central Landfill facility.

In response to a question by Commissioner Bunting, Mr. Tustin stated that, while the Town of Ocean City manages a solid waste collection system and then transports its trash out of state for incineration, Maryland counties are required to manage solid waste operations. Therefore, even if HOCC services were privatized or if the County had its trash incinerated, the County would still be required to manage some type of solid waste operation. In response to

questions by Commissioner Bunting regarding what would be involved in privatizing the HOCC operations, Mr. Tustin stated that the County would hire a private firm, which could then establish its own fees to cover operating costs and make a profit. Mr. Shannahan noted that this option would shift the expense from the County to a private organization, but could place a greater burden on the citizens depending upon the fees charged by the private operator. Mr. Mitchell stated that there are seven full-time and two part-time employees currently providing HOCC operations. Mr. Higgins stated that if the Commissioners opted to privatize the HOCC operations, staff would be reduced by attrition and retirements wherever possible. Mr. Higgins pointed out that the County would continue to incur monitoring and reporting costs of solid waste operations in the future even if these services were privatized. Commissioner Purnell stated that fees that a private organization might charge are likely to unduly burden those on fixed or low incomes.

Commissioner Bunting stated that he had come prepared with a list of possible cuts, such as reducing HOCC hours, but that, after touring existing operations, it is clear that all possible cuts in these areas have been exhausted. In response to a question by Commissioner Bunting, Mr. Tustin confirmed that Berlin and Pocomoke already have mandatory recycling programs, but that instituting a mandatory County recycling program would be too costly due to the transportation costs and distance between households. Mr. Shannahan reminded the Commissioners that a pilot recycling program was attempted years ago in the West Ocean City area, which demonstrated net losses even in suburban areas of the County where houses are more closely located.

The Commissioners and staff considered potential alternative revenue sources, including instituting a rental license or room tax on private short-term rental of homes, and instituting a better system to track collection of food tax payments. Commissioner Bertino stated that he is generally opposed to adding new taxes or fees to County residents. In response to a question by Commissioner Nordstrom regarding moving the HOCC and Recycling operations to become a General Fund obligation, Mr. Higgins stated that adding one penny to the Real Property Tax rate would generate roughly \$1.6 million in additional revenues, which is just shy of the two FY19 General Fund grants totaling \$1,698,323 to cover losses in HOCC and Recycling operations under the Solid Waste Enterprise Fund. Commissioner Elder stated that he could support a penny increase on the Real Property Tax Rate, as HOCC and Recycling operations are available to all County residents regardless of whether they choose to utilize these services.

Commissioner Bunting expressed concern that the Commissioners may have to raise taxes if they are not willing to cut expenses. Commissioner Mitrecic stated that the County budget cannot be cut any further, and today's tour made it clear that closing the HOCCs is not a viable option as it will simply result in more trash being dumped illegally at the RDOCs or along County roads where it will be even more costly to collect. In response to a request by Commissioner Bunting, Ms. Whited agreed to provide the Commissioners with Statewide figures for both the Real Property Tax Rates for FY14-FY19 and Income Tax Rates for calendar years 2015-2019. In response to a question by Commissioner Bunting, Mr. Higgins advised that the Board of Education (BOE) is expected to request a step plus a 2% salary increase for their staff in FY20 and he will request the same for all County employees. Ms. Whited added that the cost of the requested salary increases would total roughly \$2 million in FY20. Mr. Higgins stated that the total cost would be offset by anticipated increases in tax revenues. Mr. Shannahan stated that additional revenues may be generated by projects and programs, as determined during the Commissioners Strategic Planning Work Session from January 29-30, 2019. Mr. Higgins

summarized that, while there are several agencies, including the BOE, fire companies, and public safety and health organizations battling the opioid crisis that will be seeking additional funding in FY20, the Commissioners need to establish priorities to determine how to move forward and how to improve revenues. He concluded that if the Commissioners were ever inclined to increase taxes, this may be the best year to do so.

The Commissioners thanked staff for providing them with a thorough review of Solid Waste Operations and presenting options for their future consideration.

The Commissioners adjourned to meet again on January 22, 2019.