

Department of Legislative Services

2018 Session  
Local Government Fiscal Estimate of Legislation

Date:

Please respond to the questions below. If you prefer to provide responses or additional information in a separate file or document, send the file or document in a separate email to [notes@mls.state.md.us](mailto:notes@mls.state.md.us) with the bill number in the subject line.

1. Describe the impact of this proposed legislation on your government (operations, revenues, etc.). This bill, among other things, would increase the percentage goals for renewable sources of energy in Maryland as part of the state's sustainable energy policy. The bill would also remove waste-to-energy facilities and certain combustion-generated fuels from the Tier 1 renewables listing, thus eliminating the credit incentives for these facilities and by-products. This particular provision would impact two waste-to-energy facilities in Maryland: one in Montgomery County and one in Baltimore City. The Baltimore Refuse Energy Systems Company (BRESKO) waste-to-energy facility which is owned and operated by Wheelabrator Technologies, Inc. is located in Baltimore City. Baltimore City is one of several jurisdictions, as well as private refuse haulers, using the services of BRESKO to dispose of its collected mixed refuse. BRESKO combusts the mixed refuse (reducing the volume of these materials by 90% in the form of ash), recovers recyclables, and produces steam and electricity from the combustion process which is sold to local businesses. Baltimore City has a contractual relationship with BRESKO for acceptance of the residential mixed refuse it collects for disposal, for a per ton tipping fee. The portion of mixed waste that does not go to BRESKO is disposed of at the City's Quarantine Road Landfill. As part of the contractual relationship, Baltimore City accepts BRESKO ash for disposal at Quarantine Road Landfill by charging the company a per ton tipping fee. Combusting the majority of the City's mixed refuse into ash significantly reduces the amount of landfill space needed for disposal, saving landfill space. Under the Maryland Recycling Act, Baltimore City receives a 5% credit toward its State-mandated 35% recycling goal of mainstream waste, due to its use of a waste-to-energy facility. In addition to tipping fees, Baltimore City receives revenue from BRESKO that include a host fee for this regional facility, site lease payments, and property taxes. In the past, it also received electricity SWAP payments. By way of example, during FY 2016 the City received a total of \$9,804,984 in BRESKO-generated revenues. Should the worst case scenario occur (closure of BRESKO), the City would lose these annual revenues, experience a rapid decrease in the life of the Quarantine Road Landfill and an increase in its waste management costs, and have to expedite its landfill expansion plus research, design and construct alternative facilities and programs to manage this waste in the short- and long-term. While the City recognizes that solid waste management is evolving, City investment in future alternatives have not been available. If BRESKO were to close, it would also lose the 5% credit toward its recycling goal. Should waste-to-energy facilities lose their Tier 1 status and the corresponding renewable credits, several potential scenarios could result in Baltimore City: no change in BRESKO-related revenues or costs throughout the current contractual period (to 2021); a negotiated increase in BRESKO tipping fees to compensate for the loss of State renewable credits at some point during the contractual period; or financial difficulties resulting in closure of BRESKO during the contractual period. Loss of Tier 1 status and incentivizing credits could slow or completely stop the research into or growth of combustion-generated fuels.

2. Please indicate whether the proposed legislation will affect small businesses in your jurisdiction, and if it will, please provide any information you may have which could be useful in determining the economic impact on small businesses. In addition to the City and counties using BRESKO services, many large and small hauling companies bring their loads for disposal as well. Loss of this conveniently located facility could result in: increased travel and fuel costs for haulers, competition for landfill space driving up tipping fees; and increased illegal dumping. Should BRESKO choose to increase its tipping fees to compensate for the loss of renewable credits, these hauling companies would see an increase in their per ton disposal costs. This pricing change could have similar consequences of landfill tipping fee increases and increased illegal dumping. If Baltimore City were to take more or all of its mixed refuse to Quarantine Road Landfill, it would need to consider raising its tipping fee to ensure there would be adequate space in the landfill to fulfill the City's disposal needs. BRESKO produces steam for the City's central heating grid, a system that is operated by Veolia. It also generates electricity for sale to the electric grid, which is operated by PJM. Veolia uses BRESKO to ensure reliability of the steam supply, as BRESKO provides a minimum amount of steam regardless of how favorable the market prices are. The goal is to maintain a relatively steady-state. For example, during the many subsequent days of below-freezing temperatures in January of this year, BGE curtailed gas supply, so Veolia switched their boilers to fuel oil and relied on BRESKO. Many downtown businesses, including small businesses, depend on the supply of steam generated at BRESKO. In the absence of this source, Veolia would need to build another gas fired boiler. Over time, customers would likely be charged more, in order to cover the capital expenditure of a new boiler.

FISCAL IMPACT SUMMARY - SHOW (DECREASE) IN PARENTHESES

REVENUES

3. Analysis of estimated increase (or decrease) in government revenues. Please estimate below any anticipated increase (or decrease) in revenues resulting from this legislation. Please be aware of any delayed effective dates in the bill or other factors that may cause revenue increases/decreases to begin in later years.

| Source                           | FY 2019           | FY 2020           | FY 2021           | FY 2022  | FY 2023  |
|----------------------------------|-------------------|-------------------|-------------------|----------|----------|
| Payments to the City from BRESKO | -9,804,000        | -9,804,000        | -9,804,000        |          |          |
|                                  |                   |                   |                   |          |          |
|                                  |                   |                   |                   |          |          |
|                                  |                   |                   |                   |          |          |
| <b>Total \$</b>                  | <b>-9,804,000</b> | <b>-9,804,000</b> | <b>-9,804,000</b> | <b>0</b> | <b>0</b> |

Please explain how the above estimated increase(s) or decrease(s) were arrived at, including any calculations and/or assumptions made. Please also explain any variation if the revenue increase(s)/decrease(s) are not constant.

If BRESKO were to close, the City would lose the annual revenue it receives from the facility. The total payments to the City from the BRESKO payments varies year-to-year but is generally over \$9 million a year. This estimate is based on the 2018 figure, as we do not yet have the final 2017 figures. This figure was arrived at by looking at the host community fee, the City surcharge, property taxes, personal property taxes, site lease payments, and payments for ash disposal at the City's landfill. Most of this money goes directly to the General Fund.

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REVENUES

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| Source                           | FY 2019           | FY 2020           | FY 2021           | FY 2022  | FY 2023  |
|----------------------------------|-------------------|-------------------|-------------------|----------|----------|
| Payments to the City from BRESKO | -9,804,000        | -9,804,000        | -9,804,000        |          |          |
|                                  |                   |                   |                   |          |          |
|                                  |                   |                   |                   |          |          |
|                                  |                   |                   |                   |          |          |
| <b>Total \$</b>                  | <b>-9,804,000</b> | <b>-9,804,000</b> | <b>-9,804,000</b> | <b>0</b> | <b>0</b> |

Please explain how the above estimated increase(s) or decrease(s) were arrived at, including any calculations and/or assumptions made. Please also explain any variation if the revenue increase(s)/decrease(s) are not constant. If BRESKO were to close, the City would lose the annual revenue it receives from the facility. The total payments to the City from the BRESKO payments varies year-to-year but is generally over \$9 million a year. This estimate is based on the 2016 figure, as we do not yet have the final 2017 figures. This figure was arrived at by looking at the host community fee, the City surcharge, property taxes, personal property taxes, site lease payments, and payments for ash disposal at the City's landfill. Most of this money goes directly to the General Fund.

**EXPENDITURES**

4. Analysis of estimated increase (or decrease) in government expenditures. Please estimate below any anticipated increase (or decrease) in expenditures resulting from this legislation. Please be aware of any delayed effective dates in the bill or other factors that may cause expenditure increases/decreases to begin in later years.

**A. Salaries & Wages**

| Personnel Classifications                   | #<br>(of positions) | FY 2019 | FY 2020   | FY 2021   | FY 2022   | FY 2023   |
|---|---------------------|---------|-----------|-----------|-----------|-----------|
| CDL Driver                                  | 14                  |         | 600,000   | 600,000   | 600,000   | 600,000   |
| Landfill Laborer                            | 3                   |         | 100,000   | 100,000   | 100,000   | 100,000   |
| Transfer Station Employees                  | 22                  |         | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| Total Salaries & Wages:                     |                     | 0       | 2,200,000 | 2,200,000 | 2,200,000 | 2,200,000 |
| Fringe Benefits @ ___% of Salaries & Wages: |                     |         |           |           |           |           |
| Subtotal \$                                 |                     | 0       | 2,200,000 | 2,200,000 | 2,200,000 | 2,200,000 |

Please provide an explanation of the need for the number and type of any personnel listed above, including (1) what specific provision(s) of the bill necessitate additional staff; (2) what the duties of each type of employee will be; and (3) why existing personnel cannot absorb the additional work. Please also clarify the wage/salary rate and % fringe rate (if differing rates apply) for each personnel classification.

If BRESKO were to close in the next few years due to the loss of Tier 1 status, the City would need to find an alternative location to bring 200,000 tons of waste each year. If this waste were transported to a nearby county's or state's landfill, the time it would take to transport the mixed refuse would double and would require more drivers to keep up with the number of trips. It is estimated that 14 additional CDL drivers would be needed. It would be expected that other BRESKO customers would start coming to the City's landfill to dispose of their waste. The City could also choose to take all of its mixed refuse to its own landfill. In either of these scenarios, the management of significantly increased loads and materials for disposal would require more employees to handle the influx of waste. An additional transfer station would be needed in order for mixed refuse to be transferred from the collection trucks to the larger trailers to be transported the longer distance. This would require about 22 employees to operate the station in two shifts. Employees would include supervisors, cashiers, equipment operators, truck drivers, and laborers.

**B. Other Operating Expenses**

|   | FY 2019           | FY 2020           | FY 2021           | FY 2022           | FY 2023           |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Technical/Special Fees, Grants & Subsidies      |                   |                   |                   |                   |                   |
| Communications - Phone, Postage                 |                   |                   |                   |                   |                   |
| Travel, Food, Auto Operations, Fuel & Utilities |                   | 800,000           | 800,000           | 800,000           | 800,000           |
| Contractual Services                            | 100,000           | 100,000           |                   |                   |                   |
| Supplies  |                   |                   |                   |                   |                   |
| Equipment - Replacement                         |                   |                   |                   |                   |                   |
| Equipment - Additional                          |                   | 5,100,000         |                   |                   |                   |
| Land & Structures, Fixed Charges                |                   | 50,000,000        | 20,000,000        | 20,000,000        | 20,000,000        |
| Other (Please Specify)                          |                   |                   |                   |                   |                   |
| Subtotal \$                                     | 100,000           | 56,000,000        | 20,800,000        | 20,800,000        | 20,800,000        |
| <b>TOTAL EXPENDITURES</b>                       | <b>\$ 100,000</b> | <b>56,200,000</b> | <b>23,000,000</b> | <b>23,000,000</b> | <b>23,000,000</b> |

On Page 3, please provide brief descriptions/breakdowns of the above "Other Operating Expenses."

Please explain below any additional calculations or assumptions made in estimating the "Other Operating Expenses" that will help us to understand the amounts and timing of the expenses.

These expenditures assume the worst-case scenario: closure of BRESKO due to the loss of Tier 1 status. The City would need to find an alternative location to bring 150,000-200,000 tons of waste each year until permanent solutions are defined and in place. Developing interim solutions would require assessing all available options for disposal locations/methods ranked by their viability and costs. The assessment could include recommendations for how much waste should go to the Quarantine Road Landfill and how that would impact the landfill's life expectancy, what other facilities in the region would be available to accept the waste, and how much each option would cost.

The City is planning to expand the Quarantine Road Landfill, but this project is still in the permitting process and it will be many years before the expansion is complete and ready to accept waste. Even with the expansion, the life expectancy of the landfill would be significantly shorter if waste currently collected in the city, both by the Bureau of Solid Waste and by private haulers, were taken to the landfill instead of BRESKO.

The municipal landfills in Baltimore County, Anne Arundel County, and Harford County could all be options for alternative disposal sites if BRESKO were to close. However, this would significantly impact the lives of those landfills and it is unlikely that those counties would be amenable to accepting large quantities of waste from another city. BRESKO is utilized by Baltimore County and a number of private haulers, so if it were to close, those entities would also be looking for alternative disposal sites. Therefore, it is likely that landfills would increase their tipping fees in the face of high demand and low supply.

Tipping fees (the amount charged per ton to accept garbage at a disposal site) vary but at the three landfills mentioned, they are between \$72 and \$100 per ton. It is possible that an arrangement could be made to lower those costs. However, if these fees were to remain as listed, the annual tipping fees for the City could be between \$14 million and \$20 million.

Assuming that the City were able to negotiate an arrangement with the Baltimore County landfill or another nearby landfill, in addition to the tipping fees, there would be costs to get the waste to that location, including fuel costs, additional drivers, additional trailers, and ideally a second transfer station within the city.

Currently, many collection vehicles with routes in the vicinity of BRESKO drive directly to BRESKO to dispose their waste and then go back to their routes. If they were to go to a location other than BRESKO, it would require changes in the routes, which would also require consultant time to do the routing. These small collection vehicles are not designed to drive long distances or on highways. The trucks with routes in the northwest part of the city dispose of their waste at the Northwest Transfer Station where it is then transferred into large trailers and taken to BRESKO. If waste were to be taken to one of the county landfills instead of BRESKO, the City would need nine additional trailers and nine additional drivers. In addition, the costs of fuel and staff time would increase for these trips. Currently, the trailers travel from the Northwest Transfer Station to BRESKO, which is 13 to 17 miles round-trip, depending on the route taken. If the trucks traveled to a landfill in one of the neighboring counties instead, they would be traveling 60 to 80 miles round-trip. This would greatly increase fuel costs and staff time. In order to get the waste from the collection vehicles into the additional trailers, a second transfer station would be needed, since the Northwest Transfer Station (the City's only transfer station) does not have the capacity to handle this increase in operations. Even the exclusive use of the Quarantine Road Landfill would require a transfer station to facilitate this change in operations. Transfer stations cost approximately \$20-40 million to build and would be more expensive to operate.

4. (cont'd)

C. Operating Expense Descriptions/Breakdowns

Please provide below a short description of the specific purpose of each expense listed under 4B. If any amount(s) listed under 4B represent(s) a total of multiple expenses, provide a breakdown of the fiscal 2019 amount with a short description of each expense (for example, if \$2,500 is listed for Communications – Phone, Postage, a statement such as: "\$1,500 for cellphone charges for two new inspectors and \$1,000 for postage for mailings to permittees to notify them of changes to inspection requirements.")

Fiscal 2019 Expenditures

**Technical/Special Fees, Grants & Subsidies** 0  
*description/breakdown:*

**Communications – Phone, Postage** 0  
*description/breakdown:*

**Travel, Food, Auto Operations, Fuel & Utilities** 0  
*description/breakdown:*

If BRESKO were to close and the trailers were to travel to a disposal site in a different county or different state, there would be a cost for additional fuel and vehicle wear and tear, resulting from the need to travel longer distances to a disposal site. This also includes some of the operating costs of a transfer station, including vehicle fuel and maintenance.

**Contractual Services** 100,000  
*description/breakdown:*

The consultant time assumes that a consultant would be needed to develop a plan for how to handle the City's waste if BRESKO were to close. This could involve doing studies to determine how the additional waste disposal would impact the life and operations of the Quarantine Road Landfill, what other potential locations are available for disposal in the area, investigating alternatives to landfilling, and more.

**Supplies** 0  
*description/breakdown:*

**Equipment - Replacement** 0  
*description/breakdown:*

**Equipment – Additional** 0  
*description/breakdown:*

12 additional waste tractor trailers would be needed if BRESKO were to close and waste had to be hauled significantly greater distances to be disposed of. If each trailer costs \$350,000, the total would be \$4,200,000. Two dozers would be needed for the transfer station, at an estimated cost of \$450,000 each, total of \$900,000. Total new equipment cost would be around \$5,100,000.

**Land & Structures, Fixed Charges** 0  
*description/breakdown:*

A transfer station would be needed to move the waste into trailers to be transported out of the city. The cost to design and build a transfer station is \$20 to \$40 million. The tipping fees at nearby landfills are between \$72 and \$100 per ton. Using these fees as a basis, the annual tipping fees for the City would be between \$14.5 million and \$20 million a year, assuming that the approximate 200,000 tons of waste currently brought to BRESKO would go to one of these landfills instead. Considering that the City would not be the only entity looking for alternative disposal sites, it is likely that these landfills would charge high fees. The estimate included here assumes \$20,000,000 for tipping fees and \$30,000,000 to design and build a new transfer station.

**Other (Please Specify)** 0  
*description/breakdown:*

This Excel workbook is to be completed and returned to the Department of Legislative Services within the timeframe requested on the "Request for Fiscal Estimate" letter; however, such information not received at least 72 hours prior to the bill's scheduled hearing date will generally result in the indication of "NO REPLY FROM LOCAL GOVERNMENT" on that particular fiscal and policy note.

Please submit, BY EMAIL if at all possible, to: Manager, Fiscal and Policy Notes  
 Department of Legislative Services  
 Email Address: fnotes@mlis.state.md.us  
 90 State Circle, Room 226, Annapolis, Maryland 21401  
 FAX (410) 946-5529 Baltimore/Annapolis Area; (301) 970-5529 Washington, DC Area