

Memorandum



CITY OF DALLAS

DATE June 11, 2010

TO The Honorable Mayor and Members of the City Council

SUBJECT Brainstorming Ideas - Implementation

Your June 11th meeting agenda includes follow-up on budget Brainstorming Ideas previously mentioned for possible inclusion in the FY 2010-11 budget. The ideas for further discussion are (1) voluntary PILOT, (2) Transportation User Fee, and (3) Waste Flow Control.

Please let me know if I can provide any additional information.

A handwritten signature in black ink, appearing to read 'Mary K. Suhm'.

Mary K. Suhm
City Manager

Attachment

c: Thomas P. Perkins, Jr., City Attorney
Deborah A. Watkins, City Secretary
Craig Kinton, City Auditor
C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
A.C. Gonzales, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest Turner, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Helena Stevens-Thompson, Assistant to the City Manager

FY 2010-11 Budget

Brainstorming Ideas - Implementation

June 16, 2010



Purpose

- As part of FY 2010-11 budget process, numerous brainstorming ideas are being reviewed that could possibly generate new revenues, increase existing revenues or reduce expenses
 - Ideas are being vetted including assessing financial, legal and service impact
- Briefings provided on January 20th and May 19th
- This briefing provides additional information on following ideas:
 - Voluntary Payment in Lieu of Taxes (PILOT)
 - Transportation User Fee (TUF)
 - Sanitation's solid waste flow control

Voluntary PILOT

- Implement voluntary Payment in Lieu of Taxes (PILOT) for certain properties that currently have non-profit status
- PILOT is voluntary or negotiated payments made to local governments by non-profits that receive significant benefit from city services
 - Largely symbolic donations
 - Often do not equal full amount that would be collected if property were taxed
- PILOT is used by numerous cities across U.S. including Baltimore, Boston, Cambridge, Detroit, Indianapolis, Milwaukee, Minneapolis, New Haven, Palo Alto, Philadelphia, Pittsburgh, etc.
- PILOT is implemented in variety of ways regarding what properties PILOT is applied to and in what amounts

Voluntary PILOT

- Appraisal districts report nearly 12,000 properties valued at \$10.7 billion that have 100% tax-exemption in Dallas
- Categories of properties with tax-exemption include cemetery, charity, city, county, state, federal, community organizations, schools, and religious
- Looking at only hospitals and medical buildings that are classified as charitable and 100% tax-exempt, properties are valued at approximately \$1.2 billion
 - If PILOT is applied at 74.79¢ - \$8.8m revenue
 - If PILOT is applied at 60.3% of current tax rate - \$5.3m revenue
 - 60.3% accounts for Police and Fire budget in FY 2009-10

Voluntary PILOT – Benefits and Challenges

- **Benefits**
 - Provides a new revenue source to help offset other declining revenues
 - Allows entities that benefit from City services to contribute to cost of providing services
- **Challenges**
 - Opposition from non-profits
 - Determining an appropriate amount for each entity to contribute

Transportation User Fee

- Implement a Transportation User Fee (TUF)
 - Assessed to each benefited property as a monthly fee based on property type and estimated number of motor trips each property type generates
 - Fee is dedicated to maintenance and operation of City's transportation system
 - Revenue projections are being determined
- Precedent exists with TUFs both in Texas and in other areas of country
 - TUFs exist in Austin and Bryan
 - Further, Fort Worth is considering TUF for FY 2011-12

Transportation User Fee

- Austin TUF was adopted by ordinance in 1991
- Austin fee is based on factors such as:
 - Land use as defined in zoning code
 - Trip generation defined by ordinance
 - Acreage calculated from appraisal district data
 - Density of land use per acre
- Austin revenue from TUF is \$38.2m in FY 2009-10
 - Residential, 298,006 accounts, \$20.2m
 - \$4.26 to \$6.63 per month based on type of dwelling
 - Commercial, 18,942 accounts, \$18.0m

Transportation User Fee - Benefits

- Implementation of TUF would provide funding source dedicated to improvement of transportation system in city
- Provides opportunity to fund services that are preliminarily not funded for FY 2010-11, restore funding cut in prior years, and to enhance transportation system
 - For example, Street Services funding is preliminarily being reduced for FY 2010-11 and has been reduced over last few years
 - \$8.9m “Not Funded but Should Be” for FY 2010-11
 - \$3.5m cut in FY 2009-10
 - \$7.5m cut in FY 2008-09
 - \$19.9m
- TUF is means of recovering cost of transportation system based upon estimated benefit derived from each property

Transportation User Fee - Challenges

- Implementation will require about 9 to 12 months
 - Develop accurate land use database including necessary factors for calculation of fee based on property type and estimated benefit derived from transportation system
 - Integration with SAP billing software to ensure accurate data and billing
 - Notification and education of customers
- Additional administrative and oversight expenses will be incurred
- Opposition

Solid Waste Flow Control

- Implement requirement that solid waste collected by commercial waste haulers in city must be disposed of in city
 - In order to address a number of health and safety issues, such as reduction of air emissions from longer hauling to landfills outside of city and ensure proper disposal of waste
 - Increased volume received at McCommas Landfill will generate additional net revenue estimated at \$14m to \$17m per year

Solid Waste Flow Control – Legal

- Flow controls are legal provisions that allow state and local governments to designate the places where municipal solid waste (MSW) is taken for processing, treatment, or disposal. Because of flow controls, designated facilities may hold monopolies on local MSW and/or recoverable materials. Consequently, flow control has become a heavily debated issue among state and local governments, the waste management and recycling industries, and environmental groups.
 - “Flow Controls and Municipal Solid Waste”, U.S. Environmental Protection Agency, <http://www.epa.gov/epawaste/nonhaz/municipal/landfill/flowctrl.htm>

Solid Waste Flow Control – Legal

- Supreme Court has held that it is right and responsibility of governmental bodies to determine where its waste is to be processed
- Flow control is exercised in DFW area
 - North Texas Municipal Water District directs its five member cities to require all haulers in their communities to their landfill
 - City of Denton requires all waste generated in Denton to be directed to city owned and operated landfill
 - Further, City of El Paso is in process of enacting a flow control ordinance for waste generated in their city

Solid Waste Flow Control – Market Analysis

- There is ample available landfill space currently in DFW area
- 12 landfills are in same market as McCommas Bluff
 - 7.6m tons disposed annually
 - 1.9m tons goes to McCommas Bluff (25%)
- 0.9m tons are estimated to be generated in Dallas, but are exported to out-of-city disposal sites

Solid Waste Flow Control – Market Analysis

- McCommas has capacity to process additional waste
 - 55 years – current landfill life
 - 30 years – revised landfill life with added waste stream
- Opportunities exist to extend landfill life
 - +12 years – continue landfill biotechnology practices
 - +30 years – amend state permit to expand disposal space
- Seek alternative disposal options
 - New technologies will change disposal methods over coming decades, such as waste-to-energy facilities
 - Increase waste diversion practices such as through recycling, composting, minimization
 - Develop a long-range disposal plan to stage and implement developing technologies and practices

Solid Waste Flow Control – Benefits

- Protects health and safety of Dallas citizens
 - Decreases air emissions from waste haulers – as average haul distances will necessarily decrease
 - Improves ability to ensure that waste generated in Dallas is properly and legally disposed
- Provides another step in continuum of managing waste and will move City towards other long term opportunities such as expanding recycling, converting waste to energy, etc.
- Stabilizes pricing for commercial waste services in Dallas
 - Waste haulers without their own disposal site are in level competition with waste haulers who own a landfill

Solid Waste Flow Control – Challenges

- Opposition from private waste haulers who will resist loss of waste stream to their sites
- Implementation will require 6 to 12 months to prepare landfill to accept steep increase in waste stream
 - Equipment purchase required
 - Purchase and installation of additional scales
 - Notification to our customers and arrangements for discount disposal contracts
- Decrease lifespan of McCommas
- Increase traffic to McCommas

Summary

- Voluntary PILOT, Transportation User Fee, and Waste Flow Control all provide opportunities for new revenues to City
- Recommendation for implementation
 - (1) Transportation User Fee – proceed with work towards implementation, which will take 9-12 months and will be directed to commercial properties to include non-profit commercial properties
 - (2) Waste Flow Control – proceed with work towards implementation, which will take 6-12 months

Appendix

Appendix: Solid Waste Flow Control DFW-area Landfills

Facility	County	FY 04 tons	FY05 tons	FY 06 tons	FY07 tons	FY08 tons
121 REGIONAL DISPOSAL LANDFILL	COLLIN	28,937	556,125	569,589	662,095	677,016
MCKINNEY LANDFILL	COLLIN	653,866	104,576	132,281	136,923	133,851
CHARLES M HINTON LANDFILL	DALLAS	392,441	368,089	410,245	438,355	418,112
CITY OF GRAND PRAIRIE LANDFILL	DALLAS	154,672	161,597	177,929	187,349	180,585
HUNTER FERRELL LANDFILL	DALLAS	73,066	111,713	112,802	172,893	193,257
MCCOMMAS BLUFF LANDFILL	DALLAS	1,823,743	1,635,403	1,648,890	2,123,991	1,929,757
CAMELOT LANDFILL	DENTON	399,128	417,343	369,755	334,792	314,173
CITY OF DENTON LANDFILL	DENTON	120,657	124,513	113,615	127,820	131,294
DFW LANDFILL	DENTON	1,157,521	1,161,099	1,324,219	1,365,855	1,423,368
LEWISVILLE LANDFILL	DENTON	298,573	228,995	256,160	354,967	316,884
ECD LANDFILL	ELLIS	286,060	171,482	245,854	128,438	45,186
SKYLINE LANDFILL	ELLIS	845,943	881,415	827,974	1,011,948	1,092,649
ARLINGTON MUNICIPAL LANDFILL	TARRANT	409,795	448,247	645,043	660,835	783,204
		6,644,402	6,370,597	6,834,356	7,706,261	7,639,336