


David Whitaker, Esq.  
 Director  
 Irvin Corley, Jr.  
 Executive Policy Manager  
 Marcell R. Todd, Jr.  
 Director, City Planning  
 Commission  
 Janese Chapman  
 Director, Historic Designation  
 Advisory Board

**City of Detroit**  
**CITY COUNCIL**  
 LEGISLATIVE POLICY DIVISION  
 208 Coleman A. Young Municipal Center  
 Detroit, Michigan 48226  
 Phone: (313) 224-4946 Fax: (313) 224-4336

Derrick Headd  
 Marcel Hurt, Esq.  
 Kimani Jeffrey  
 Phillip Keller, Esq.  
 Edward King  
 Kelsey Maas  
 Jamie Murphy  
 Analine Powers, Ph.D.  
 W. Akilah Redmond  
 Rebecca Savage  
 Sabrina Shockley  
 Renee Short  
 Floyd Stanley  
 Thomas Stephens, Esq.  
 Timarie Szwed  
 Theresa Thomas  
 Ian Tomashik  
 Ashley A. Wilson

John Alexander  
 Roland Amarteifio  
 LaKisha Barclift, Esq.  
 Paige Blessman  
 M. Rory Bolger, Ph.D., FAICP  
 Lisa DiChiera  
 Eric Fazzini, AICP  
 Willene Green  
 Christopher Gulock, AICP

TO: The Honorable City Council

FROM: David Whitaker, Director   
 Legislative Policy Division Staff

DATE: December 8, 2023

RE: Impact of Garbage Fee Increases on the City of Detroit’s Budget and General Fund

Council Member Coleman A. Young II requested an analysis of the impact garbage fees will have on the City’s budget and the general fund with or without fee increases over the next five budget cycles. The Legislative Policy Division (LPD) report herein is in response to this request.

**Background**

As the City Council knows, the Duggan Administration, through the Department of Public Works (DPW), currently has two trash hauling contracts before your Honorable Body for consideration. The two proposed DPW trash hauling contracts are described below:

Contract No.	Trash Hauling Contract Description
6005765	100% Solid Waste Funding – To Provide Residential Trash, Bulk, Yard, Recycling, Debris Collection and Hauling for Areas 3 and 4. – Contractor: Priority Waste, LLC – Location: 42822 Garfield, Clinton Township, MI 48038 – Contract Period: Upon City Council Approval through May 31, 2029 – Total Contract Amount: \$87,761,352.84.
6005766	100% Solid Waste Funding – To Provide Residential Trash, Bulk, Yard, Recycling, Debris Collection and Hauling for Areas 1 and 2. – Contractor: Waste Management of Michigan, Inc. – Location: 41100 Plymouth Road, Suite 170, Plymouth, MI 48170 – Contract Period: Upon City Council Approval through May 31, 2029 – Total Contract Amount: \$122,945,186.98.

Chart 1 below was provided by the Administration to describe in more detail the proposed enhanced trash hauling services under the proposed trash hauling contracts:

Chart 1

<h1>TRASH HAULING CONTACT UPDATE FOR DETROIT CITY COUNCIL</h1> 	
<h2>CURRENT CONTRACT SERVICES</h2> <ul style="list-style-type: none"> <li>■ Weekly Trash Collection</li> <li>■ Bi-Weekly Bulk Collection</li> <li>■ Bi-Weekly Recycling Collection</li> <li>■ Seasonal, Bi-Weekly Yard Waste Collection</li> <li>■ Collection of non-hazardous and non-construction debris from front of vacant properties</li> <li>■ No collection of debris from side streets</li> </ul>	<h2>UPDATED CONTRACT SERVICES</h2> <ul style="list-style-type: none"> <li>■ Weekly Trash Collection – <b>SAME</b></li> <li>■ Weekly Bulk Collection – <b>NEW</b></li> <li>■ Weekly Recycling Collection – <b>NEW</b></li> <li>■ Seasonal, Weekly Yard Waste Collection – <b>NEW</b></li> <li>■ Debris Collection of 5 yards from vacant lots and vacant properties – <b>SAME</b></li> <li>■ Household construction debris is allowed for bulk – <b>NEW</b></li> <li>■ Debris Collection from side streets – <b>NEW</b></li> </ul>
<h2>CURRENT Service Providers</h2> <ul style="list-style-type: none"> <li>■ Waste Management (Teamsters)</li> <li>■ GFL (Non-union)</li> </ul>	<h2>RECOMMENDED Contractors</h2> <ul style="list-style-type: none"> <li>■ Waste Management (Teamsters)</li> <li>■ Priority Waste (Non-union)</li> </ul>
<h2>CURRENT COST for Core Services</h2> <p><b>\$9.33</b>/month per household</p>	<h2>NEW RATE for Core Services</h2> <p><b>\$14.50</b>/month per household</p>

The following additional information was provided by the Administration regarding the proposed trash hauling contracts:

- Weekly collection of debris from curbside in front of vacant lots and structures, to include debris at curbside on side streets that are within the boundaries of scheduled collections. LPD’s note: This weekly collection in essence would include collection of illegal dumping in front of vacant lots every week and allow for construction materials to be set at the curb for bulk pickup<sup>1</sup>.
- Current trash hauling contract costs are \$28 million annually, paid for by the residential \$240 garbage fee.
- New service levels will increase costs to \$40 million in the next year, then go up due to inflation. LPD’s note: After the increase in service levels go up by \$12 million in the first year, then costs will go up by \$15 million each year after that<sup>2</sup>.

<sup>1</sup> “Duggan proposes increased recycling, bulk trash pickups to weekly. Here’s the cost”, Detroit News authored by Sarah Rahal, dated December 5, 2023.

<sup>2</sup> Ibid

- There are three options<sup>3</sup>:
  - 1) Leave trash service levels same as today.
  - 2) Increase service levels, raise the garbage fee above \$300 a year.
  - 3) Increase service levels, reprioritize city budget-no fee increase.

At the Mayor’s District 6 Charter mandated community meeting held on Monday, December 4, 2023, at the Redeemer Presbyterian Church, when the enhanced weekly trash hauling services were discussed with the public, LPD understands there was not a clear explanation as to how the enhanced weekly trash hauling services would impact the City’s general fund. What was only mentioned was that the Administration could cut \$3 million from DPW bulk pickup and other things. What was also mentioned was that there is more development going on in the City and therefore income tax revenue is growing which will cover the enhanced services with no needed fee increase. As a result, and understandably so, most people during this meeting chose option 3. Therefore, LPD feels compelled to explain the estimated impact of the proposed enhanced weekly trash hauling service contracts to the City’s general fund in the following section.

### Estimated Impact of Proposed Enhanced Weekly Trash Hauling Service Contracts to the City’s General Fund

Table 1 below shows on line 11 that if the enhanced weekly trash hauling service contracts are approved by City Council, it is estimated that the total general fund support goes from \$8.3 million in FY 2023 and grows to approximately \$22 million in FY 2029:

		Table 1						
<b>Solid Waste Fund</b>								
(\$ in millions)								
Line #		FY23	FY24	FY25	FY26	FY27	FY28	FY29
1	Revenues @1% growth <sup>1</sup>	54.2	54.7	55.2	55.8	56.4	57.0	57.6
2								
3	Baseline Expenditures	58.3	60.9	61.5	62.2	62.9	63.5	64.2
4	Trash hauling increase	-	1.6	12.5	13.7	14.9	16.2	17.5
5	GDRRA/DPW cost savings <sup>2</sup>	-	-	(2.1)	(2.2)	(2.2)	(2.3)	(2.3)
6								
7	General Fund Support							
8	Move BSEED Enforcement to GF	-	2.6	2.7	2.7	2.8	2.8	2.9
9	Move GSD SW Fleet team to GF	-	5.7	5.8	5.9	6.0	6.2	6.3
10	Direct GF Contribution	-	-	-	5.0	7.7	11.4	12.6
11	<b>Total General Fund Support</b>	<b>-</b>	<b>8.3</b>	<b>8.5</b>	<b>13.6</b>	<b>16.5</b>	<b>20.4</b>	<b>21.8</b>
12								
13	<b>Revenues less Expenditures</b>	<b>(4.1)</b>	<b>0.5</b>	<b>(8.2)</b>	<b>(4.3)</b>	<b>(2.7)</b>	<b>-</b>	<b>-</b>
14								
15	Beginning Fund Balance	18.8	14.7	15.2	7.0	2.7	0.0	0.0
16								
17	<b>Ending Fund Balance</b>	<b>\$ 14.7</b>	<b>\$ 15.2</b>	<b>\$ 7.0</b>	<b>\$ 2.7</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>
18								
19	Annual Solid Waste Fee w/ GF Support	240	240	240	240	240	240	240
20	Annual Solid Waste Fee w/o GF Support <sup>3</sup>	240	240	240	308	323	342	349
Source: OCFO - Office of Budget for fiscal years FY23 through FY29.								

#### Notes for Table 1 above:

1) Average growth rate of residential solid waste fees current collections FY18-FY23 was 1.3%.

<sup>3</sup> These three options were communicated by the Mayor to the public during a Mayor’s District 6 Charter mandated community meeting held on Monday, December 4, 2023, at the Redeemer Presbyterian Church. According to the Administration, the proposed trash hauling contracts with enhanced weekly services will at minimum be also discussed at the following meetings: Mayor’s District 5 Charter Meeting-12/13/2023; Citywide DonCast Meeting-December 4, 2023; Citywide DonCast Meeting-12/11/2023; and Citywide DonCast Meeting-12/18/2023.

- 2) Approx. \$1.4m savings from Russell-Ferry transfer station switch, \$0.7m from DPW dumping pickup shift to contractors.
- 3) Approx. 200,000 households, so approx +\$2m for every \$10 increase in fee.

LPD's comments on lines above are based on information from the OCFO/DPW:

Line 3: "Baseline expenditures" represent budgeted Solid Waste Management-Fund 3401 (SWF) expenditures in DPW, plus budgeted SWF expenditures in General Services Department (GSD), plus budgeted SWF expenditures in Buildings, Safety Engineering, and Environmental Department (BSEED), plus about a 3 to 5% multiplier for inflation and wage & benefits increases. Note: Trash hauling contracts are budgeted in Professional & Contractual Services in DPW's SWF budget.

Line 5: The Greater Detroit Resource Recovery Authority (GDRRA)/DPW cost savings are further explained by the OCFO below:

- GDRRA is currently paying \$36/ton to a private transfer station to dispose of 175,000 tons of eastside trash. When the Russell-Ferry transfer station is reactivated (in-sourcing), the cost could down to \$28/ton. The difference of \$8/ton x 175,000 tons of trash = \$1.4 million.
- The \$700,000 in DPW savings is a savings placeholder. DPW currently picks up some illegal dumping itself after residents complain. Now that the haulers will pick up more dumping sites and do it weekly instead of biweekly, there should be less for DPW to do. So, DPW should be able to reduce DPW operating costs in this area. Need to work with DPW on a definitive savings target as we work thru FY25 budget process. Could be more.

Line 15: The SWF fund balance as of June 30, 2022, per the 2022 Annual Comprehensive Financial Report (ACFR) was \$23.5 million. \$4.7 million of the fund balance on June 30, 2022, relates to GDRRA. Therefore, SWF fund balance surplus starts at \$18.8 million in FY 2023 on line 15.

### **LPD's Concerns Regarding Estimated Impact on the City's General Fund from the Proposed Enhanced Weekly Trash Hauling Service Contracts without a Garbage Fee Increase**

LPD remains concerned about the estimated impact on the City's general fund if the proposed enhanced weekly trash hauling service contracts are approved by Council without a corresponding solid waste fee increase. LPD provides the following comments and concerns:

1. A brief history on the solid waste fee. From 1976 to 2006, a 3-mill property tax was earmarked for trash collection. The 3-mill property tax generated \$27 million in 2006. In 2007, a \$300 solid waste fee was enacted to help balance the City's budget in 2007. The \$300 solid waste fee generated \$74 million in 2008. In 2009, the solid waste fee was reduced by 20% to \$240 since DPW successfully reduced its costs for the collection and disposal of trash.
2. **Consequently, the solid waste (garbage) fee has not been increased in over 14 years. Meanwhile, the cost to provide even the current level of trash hauling services has constantly gone up.**
3. **Even if the trash hauling contracts are renewed without expanded services, the Solid Waste Fund (SWF) would be operating at a deficit.** In FY 2023, the OCFO estimates that the SWF will generate \$54.2 million in revenue, while \$58.3 million is estimated for expenditures, creating a \$4 million deficit in the Solid Waste Fund (SWF). From FY 2024 through FY 2029, at the end of renewed trash hauling contracts, if approved by Council without expanded services, the SWF would deficit by almost \$7 million annually. In FY 2023, there's a \$18.8 million surplus in the SWF, which could cover the deficits for about three years. **After four years, in FY 2027, the solid waste fee would need to be increased by \$35, from \$240 to \$275 (15% increase), to provide fiscally sound trash hauling services even at current service levels without general fund support. If the garbage**

**fee remained at \$240, the total general fund support for current level trash hauling services would need to range from \$4 million in FY 2026 to about \$7 million in FY 2029.**

4. If approved by Council, the proposed enhanced weekly trash hauling service contracts increase 43% to fund expanded service: moving from every two weeks to weekly pick up of all garbage, including bulk and yard waste, recycling, household construction, and debris collection from side streets.
5. According to the OCFO, and as shown in Table 1 above, the expanded trash hauling service will cost the general fund \$8.3 million starting in FY 2024 and gradually increasing to \$21.8 million in FY 2029. The general fund contribution is first created by moving BSEED solid waste enforcement and GSD solid waste fleet team to the general fund, starting in FY 2024, in lieu of a fee increase. (Please note that the BSEED and GSD solid waste fund related services were funded by the general fund four or so years ago.) Meanwhile, under this scenario, the SWF \$18.8 million surplus would be fully used up by FY 2027.
6. **Under the scenario just described to fund the proposed enhanced trash hauling contracts with expanded services is unsustainable without a substantial fee increase.** According to the OCFO, a fee increase from \$240 to \$308 (a 28% increase) in FY 2026 is needed to provide expanded trash hauling services without general fund support. In FY 2029, the fee needs to increase from \$240 to \$349 (a 45% increase) to provide expanded trash hauling services without general fund support. Obviously, a garbage fee increase ranging from \$240 to \$350 would be a huge burden for many of our citizens with low incomes.
7. If the garbage fee is increased to \$300 in FY 2026, and remains at \$300 through FY 2029, and the SWF surplus is used up by FY 2027, the total general fund support would be much lower than under the scenario of no fee increase as depicted in Table 2 above to provide enhanced weekly trash hauling services under the proposed contracts. LPD estimates the City's general fund subsidy to provide enhanced services would range from \$4 million in FY 2027 to \$8 million in FY 2029, while using up the SWF surplus by FY 2027, if the garbage fee was raised from \$240 to \$300 starting in FY 2026.
8. Meanwhile, the OCFO suggests that the increase in projected recurring general fund revenues from FY 2024 through FY 2027 based on the September 2023 revenue conference should be sufficient to cover the estimated total SWF general fund support needed to provide expanded trash hauling services as proposed. The increase in projected recurring general fund revenues is primarily based on increases in income tax revenues. The increased projected recurring general fund revenue based on the September conference is \$30.8 million for FY 2024, \$37.8 million for FY 2025, \$46.8 million for FY 2026, and \$52.3 million for FY 2027. Meanwhile, the SWF general fund support needed to provide expanded trash hauling services is \$8.3 million for FY 2024, \$8.5 million for FY 2025, \$13.6 million for FY 2026, and \$16.5 million for FY 2027, as shown in Table 1 above. LPD's comments are as follows:
  - a. Based on the scenario just described, the OCFO feels that "the proposed GF support for the solid waste fund is within our current budget capacity to fold into the next four-year plan, and that is before potential upside from economic/workforce development, property tax uncapping, etc. Should the City have competing budget pressures in the future, revisiting the solid waste fee would always remain an option."
  - b. It is true that there could be additional upsides that could produce more recurring general fund revenue and further minimize the burden of the SWF general fund support to the City's general fund. However, there are upcoming competing budget pressures that are real, namely:

- 1) 17 labor union contracts expire as of June 30, 2024.
- 2) 2 labor union contracts expire as of June 30, 2025.
- 3) 2 labor union contracts expire as of June 30, 2026, including the Detroit Fire Fighters Association.
- 4) 4 labor union contracts expire as of June 30, 2027, including several police related union contracts that were renewed in 2022. The police-related union contracts will cost the City's general fund \$86 million in the final year of their contracts.
- 5) Inflationary pressures in supplies and services contracts.
- 6) The SWF general fund support needed to provide expanded trash hauling services, if approved by Council, goes from \$16.5 million in FY 2027 to \$20.4 million in FY 2028, and to \$21.8 million in FY 2029, as shown in Table 1 above.
- 7) If the land value tax proposal becomes approved by the State, City Council, and Detroit registered voters, and the proposal ends up being not revenue neutral, that would add pressure to the City's general fund.

## **Conclusion**

Based on the above analysis, LPD fiscal feels without an increase in the current garbage fee of \$240 for residents, the cost to provide even the current level of trash hauling services (weekly trash collection and bi-weekly bulk, recycling, and yard waste collection) is unsustainable. The garbage fee would need to increase to \$275 by FY 2027 to make the cost of even providing the current level of trash hauling services sustainable financially. This fee increase may be more palatable for residents to absorb in their personal budgets currently.

Alternatively, the City would need to provide an estimated general fund subsidy ranging from \$4 million in FY 2026 increasing to about \$7 million in FY 2029 to provide the current level of trash hauling services without a garbage fee increase. The City's general fund can more easily accommodate this estimated general fund subsidy while providing current level trash hauling services. This appears to be the best route for the City to take currently to avoid a huge burden on the City's general fund if the Council desires not to increase the garbage fee.

Similarly, a substantial increase in the garbage fee would be required if the City provided enhanced weekly trash hauling services (weekly trash, bulk, recycling, yard waste, curbside debris, and construction debris collection) that the Administration proposes under the two trash hauling service contracts with Priority Waste, LLC and Waste Management of Michigan that are currently before City Council for consideration. The garbage fee would need to increase from \$240 to \$308 for residents by FY 2026 and increase to \$350 by FY 2029 to provide the enhanced services at a sustainable level financially without general fund support. Obviously, these fee increases would be a huge financial burden for many of our citizens with low incomes.

Alternatively, the City would need to provide an estimated general fund subsidy ranging from \$8.3 million in FY 2024 and gradually increasing to \$21.8 million by FY 2029, the end of the proposed two five-year trash hauling contracts, and keep the garbage fee at \$240 for residents, i.e., provide the enhanced trash hauling services with no garbage fee increase.

Although the Administration anticipates growth in general fund revenue over the next four fiscal years based on the September 2023 revenue conference, in particular projected growth in income tax revenue growth, will comfortably cover the estimated general fund subsidies to provide the enhanced trash hauling services, LPD would argue these general fund subsidies will eventually become a greater burden on the general fund, especially in light of several general fund budget pressures that are forthcoming, including

25 labor contracts that will expire and will have to be renegotiated within the next four and a half fiscal years ending June 30, 2027.

At minimum, given that the garbage fee of \$240 for residents has not been increased in over 14 years, the Administration and City Council need to urgently express to the City of Detroit residents that a gradual garbage fee increase, such as restoring the garbage fee back up to \$300 when the fee was first enacted, should highly be considered to reduce the burden on the City's general fund while providing enhanced weekly trash hauling services.

Otherwise, continual general fund burden increases from various budget pressures, such as providing enhanced weekly trash hauling services, providing funding for potential wage increases from numerous labor contract negotiations, inflationary increases in other supply and service contracts, and other potential major initiatives the City desires to undertake, could lead the City down the slippery slope of heading back to bankruptcy. Or alternatively, increases in costs to the City's general fund from various budget pressures could lead to reduced funding levels for essential City services in other areas of the budget.

Please let us know if we can be of any more help.

cc: Auditor General's Office  
Jay Rising, CFO  
John Naglick, Chief Deputy CFO/Finance Director  
Tanya Stoudemire, Chief Deputy CFO/Policy & Administration Director  
Steven Watson, Deputy CFO/Budget Director  
Ron Brundidge, DPW Director  
Sandra Y. Staul, Deputy CFO/Chief Procurement Officer  
Malik Washington, Mayor's Office