

HOUSE OF REPRESENTATIVES LOCAL BILL STAFF ANALYSIS

BILL #: HB 531 Solid Waste Authority of Palm Beach County
SPONSOR(S): Berman
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local, Federal & Veterans Affairs Subcommittee	14 Y, 0 N	Darden	Miller
2) Government Accountability Committee	21 Y, 0 N	Darden	Williamson

SUMMARY ANALYSIS

The Solid Waste Authority of Palm Beach County (Authority) is a dependent special district created by special act in 1975. The Authority provides “economical [and] environmentally conscious” solid waste management in Palm Beach County, servicing over 1.4 million residents and businesses. The Authority has approximately 400 employees.

The Authority is currently authorized to grant or extend franchises for up to five years. To enter into an exclusive franchise agreement, the Authority is required to comply with ch. 286, F.S., and use a process that “encourage[s] competition” among potential franchisees.

The bill extends the maximum duration of a franchise agreement entered into by the Solid Waste Authority of Palm Beach County from five years to seven years.

According to the Economic Impact Statement, the bill is projected to cause an indeterminate reduction in costs for the Authority, as the change in contract duration will increase competition for Authority franchises. The change is expected to result in lower costs for consumers.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

Solid Waste Authority of Palm Beach County

The Solid Waste Authority of Palm Beach County (Authority) is a dependent special district¹ of Palm Beach County. The Authority was created by a special act of the Legislature in 1975 and its charter was re-codified in 2001.² The Authority is responsible for providing an “economical environmentally conscious Integrated Solid Waste Management System” for Palm Beach County. The Authority has approximately 400 employees and provides services to over 1.4 million residents and businesses. The Authority’s system includes two waste-to-energy facilities, landfills, a materials recycling facility, a biosolids processing facility, seven household hazardous waste collection facilities, and six transfer stations.³

The Palm Beach County Board of County Commissioners serves as the governing body of the Authority.⁴ The Authority was created to provide for the safe and sanitary processing and disposal of solid waste, to provide a coordinated countywide program for the management of hazardous waste and control of solid waste processing and disposal, and to require the municipalities and the county to plan for and develop an adequate solid waste collection system.⁵

The Authority currently levies an annual assessment of \$174 on single family homes, \$100 on multi-family homes, and \$167 on mobile homes in Palm Beach County.⁶ The assessment does not include the expense of disposing waste at a disposal facility or transfer station managed by the Authority. The assessment is billed to owners as part of their property tax bill.

The Authority is authorized to grant franchises and contracts for solid waste collection in the county.⁷ These franchises, however, are subject to restrictions set forth in the Authority’s charter:⁸

- No franchise may be granted or extended for longer than five years.
- A public hearing must be held prior to the adoption of any rates, fees, or charges to the public.
- All franchise agreements must comply with ch. 286, F.S., encourage competition among potential franchisees, be awarded during a regular meeting of the Authority and confirmed by a subsequent resolution, and provide any party aggrieved by the franchise a right of appeal to the Authority.

The Authority has encouraged competition among potential franchisees by utilizing a competitive bidding process.⁹ The result of the competitive bidding process is a collective franchise agreement between the county and the franchisee.¹⁰

¹ Section 189.012(2), F.S.

² See ch. 2001-331, Laws of Fla., s. 2 (codifying, reenacting, amending, and repealing chapter laws governing the Authority).

³ *About Us*, Solid Waste Authority of Palm Beach County, available at <http://www.swa.org/27/About-Us> (last assessed Feb. 13, 2017).

⁴ Section 3, Charter of the Solid Waste Authority of Palm Beach County, as codified in ch. 2001-331, Laws of Fla. (herein Charter of the Solid Waste Authority of Palm Beach County).

⁵ Section 2, Charter of the Solid Waste Authority of Palm Beach County.

⁶ *Residential Rates*, Solid Waste Authority of Palm Beach County, available at <http://www.swa.org/241/Residential-Rates> (last assessed Feb. 13, 2017).

⁷ Section 6(22), Charter of the Solid Waste Authority of Palm Beach County.

⁸ Section 10, Charter of the Solid Waste Authority of Palm Beach County.

⁹ See *Fiscal Year 2013 Adopted Budget and Five Year Capital Improvement Program*, Solid Waste Authority of Palm Beach County, at 5. Available at <http://swa.org/DocumentCenter/View/403>.

Depreciation Schedules

Depreciation allows businesses to take a tax deduction to recover the cost of certain types of property used in the course of business.¹¹ Most types of tangible property and certain types of intangible property may be depreciated.¹² To claim a depreciation deduction, a business must own the property for which the deduction is being claimed, use the property in the business or an income-producing activity, the property must have a determinable useful life, and the property must be expected to be in use longer than one year.¹³ Property may be depreciated in the first year it is used in the business and may continue being depreciated until the full cost or other basis has been recovered or the property is retired from use, whichever occurs first.¹⁴

Most property acquired since 1987 can be depreciated using the Modified Accelerated Cost Recovery System (MACRS).¹⁵ Property subject to MACRS can be depreciated using the General Depreciation System (GDS) or the Alternative Depreciation System. Property depreciated under GDS is divided into nine classifications, seven based on the estimated period of use (ranging from three to 25 years) and two for certain kinds of structures.¹⁶ Property that does not have an otherwise specified use period and has not been designated by law as belonging to a particular class is treated as a seven-year property.¹⁷

Effect of Proposed Changes

The bill extends the maximum duration of a franchise agreement entered into by the Solid Waste Authority of Palm Beach County from five years to seven years.

According to the Economic Impact Statement submitted with the bill, several companies have not bid on Authority franchises due to the maximum contract length.¹⁸ This is because most equipment used in the waste hauling industry is depreciable over a period of seven years and potential franchisees prefer the contract term to match the depreciation window for their equipment.

The bill is expected to increase competition for Authority franchises, which should result in reduced costs associated with the provision of solid waste services and thereby result in lower rates for Authority users.

B. SECTION DIRECTORY:

Section 1: Amends ch. 2001-331, Laws of Fla., extending the maximum duration of franchise agreements entered into by the Solid Waste Authority of Palm Beach County to seven years.

Section 2: Provides an effective date of upon becoming a law.

II. NOTICE/REFERENDUM AND OTHER REQUIREMENTS

A. NOTICE PUBLISHED? Yes No

IF YES, WHEN? November 16, 2016

¹⁰ *E.g. Sample Solid Waste and Recycling Collection Franchise Agreement*, Solid Waste Authority of Palm Beach County, available at <http://www.swa.org/DocumentCenter/View/1519>.

¹¹ *Publication 946 – How to Depreciate Property*, Internal Revenue Service, p. 3, available at <https://www.irs.gov/pub/irs-pdf/p946.pdf> (last assessed Feb. 13, 2017).

¹² *Id.* at 4.

¹³ *Id.*

¹⁴ *Id.* at 7.

¹⁵ *Id.* at 30.

¹⁶ *Id.* at 31-32.

¹⁷ *Id.* at 31.

¹⁸ Economic Impact Statement for HB 531 (2017).

WHERE? *Palm Beach Post*, a daily newspaper of general circulation in Palm Beach County, Florida.

B. REFERENDUM(S) REQUIRED? Yes No

IF YES, WHEN?

C. LOCAL BILL CERTIFICATION FILED? Yes, attached No

D. ECONOMIC IMPACT STATEMENT FILED? Yes, attached No

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

The bill does not provide rulemaking authority or require executive branch rulemaking.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

None.