

February 21, 1979

TO THE MAYOR AND MEMBERS OF THE CITY COUNCIL:

The collection of garbage and refuse is one public service in which the municipalities of the Twin Cities area have the opportunity now to begin to respond to the public's urgent pressure for a more cost-effective government.

The Citizens League has recently done an updating -- from its original 1975 study -- about the problems and opportunities for local government, in the solid waste system. This has produced a clear and simple list of "dos" and "don'ts". I think you will find it helpful . . . in the look we hope you will take at the way the system is working -- and the way it might be improved -- in your municipality.

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We say again what we said in 1975: That the Twin Cities metropolitan area now has, by and large, an effective and low-cost system for collecting garbage and refuse. (See the memo attached.)

But it should be, and can be, made more efficient, with some changes that could be introduced fairly easily. And -- to our surprise, and concern -- we found a need for municipalities to guard against the danger of losing the positive elements of the system that exist at present.

Let me take the latter part of the problem first.

In any changes in the waste collection system, the most important thing by far is to avoid any more of the citywide, non-competitive arrangements introduced several years ago, for example, in the city of Minneapolis. This is an especially important consideration, currently, in St. Paul, where the concept of a citywide master contract is frequently proposed as one element of an ordinance providing for and requiring the mandatory pickup of garbage and refuse in the city. The assumption seems to be that these two features of a refuse collection system are necessarily tied together. They are not; and they must not be.

Municipalities -- as policy decisions and operating experience in a number of well-managed suburbs have demonstrated -- can have, and do have, simultaneously, all three of the important desirable elements of an effective and efficient refuse collection system.

These are:

1. The mandatory collection of refuse and garbage combined.

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2. The efficiencies of a single truck moving down a particular street, or alley.
3. Open bidding for the work, with vendors competing on both price and service differentials.

Outside the central cities, the principal opportunity for additional economies in refuse collection lies in reducing the number of miles driven by the refuse trucks. The basic effort, here, should be to arrange for a single operator to cover an entire area. If the service areas are kept small, and the contracts are let for no longer than the five-year period needed to recover an operator's original investment in his trucks, the overriding objective of price competition can be preserved in the process. Again: The experience in several suburbs demonstrates that this can in fact be done.

Again, St. Paul presents a special case, requiring particularly careful handling by that city's elected officials.

In order for St. Paul to avoid the risk of some significant increase in the price of refuse collection to homeowners, the city government should approach its decision by building off of the existing system -- in which homeowners buy refuse collection services, based on price and service, from a large and diverse group of refuse haulers. Specifically:

1. The city should first encourage, and make it possible for, homeowners to get together to buy this service jointly, within the city's planning districts and through the district planning councils. This would achieve the one-truck-per-alley objective, while retaining the competitive bid system.
2. A second choice would be for the city to run an open bidding system, on behalf of the residents of the various individual planning districts. The city would act as the agent; bidding would be by individual district. The city would become exclusively a buyer: St. Paul government would eliminate the small refuse collection operation now run by the Public Works Department, which is high-priced and used generally only by persons (in most cases, the elderly) who do not pay their own bills but have the city pay the charges for them. Employees would be transferred to other city work.

In the memo attached to this, you will be interested, I think, to look at the numbers that reflect the differences in homeowner cost which presently exist in the Twin Cities area, from municipality to municipality, and from one kind of refuse collection arrangement to another.

It is important to be wary of the normal practice of quoting the cost for refuse collection service in dollars per homeowner per month. This obviously produces a modest figure. We are all aware, however, of how rapidly the dollars mount up when that figure is multiplied first by the 12 months of the year . . . and then by the 450,000 houses in the Twin Cities area . . . and then multiplied again, say, by 10 or 20 years. Very few citizens of the Twin Cities area would not be delighted to have 50¢ per house, on that basis.

In closing, let me come back to what I said at the beginning about what is at stake for local government in its response to the public's pressures for expenditure reduction.

The Citizens League in 1978 looked at this larger question -- raised especially, of course, by Proposition 13. It was the view of that study committee, endorsed by the Citizens League board of directors, that sweeping restrictions on local government's spending and revenue-raising would not be appropriate in Minnesota. But this conclusion assumes, clearly, that discrete and effective action would be taken by local officials and administrators on their own initiative, to deal with the problems of cost control in the service delivery system. It was an assumption, in other words, that local officials would use the scalpel, if the public or the state would refrain from swinging the meat axe.

The Citizens League has expressed its view that local officials will respond to that challenge.

The service of garbage and refuse collection is one of the most desirable, and one of the most feasible places to begin . . . particularly because it is so much more an opportunity than a problem.

We hope you will give the following statement prepared by our Community Information Committee your early attention. We stand ready to help in any way we can.

Wayne G. Popham
President

REFUSE COLLECTION: GETTING BETTER SERVICE FOR LOWER COST

Refuse collection is one of the basic services necessary for the functioning of modern society. The service provided is important to individual households and to the entire community. Regular, dependable service is so important that few individuals and local government officials in this region appear to pay much attention to what it costs, as long as the job gets done.

Neglect is costly. Currently, the cost per household for refuse collection in the region varies threefold, or as much as \$5.00 per month, with much of the variation in price being unrelated to the service provided. Additionally, serious problems with uncollected garbage have been reported in some neighborhoods, and many streets and alleys are subjected to extra wear and tear when several different refuse collection trucks each serve only part of the households in a given neighborhood.

Organization is key cost factor. In the 1975 Citizens League report, **Taking the Waste out of Minnesota's Refuse**, the League found that refuse collection costs vary widely, depending on how refuse collection is organized within a community. The League found that contracting with private haulers for service to a community tended to get the best rates. A phone survey done in January, 1979, provided data showing that this relationship remains true today.

Robbinsdale cost low . . . St. Paul city crews and some individual arrangements high. Currently, rates run from \$2.51 per month for weekly service under a citywide contract in Robbinsdale, to \$6.04 per month for 50 pickups per year by city crews in 20% of St. Paul . . . up to \$7.50 per month for some individual arrangements in some suburban communities.

In Robbinsdale, the net cost to the average resident is particularly favorable, since it is financed out of property taxes, which are deductible on one's income tax return. However, the Robbinsdale figure does not cover the administrative cost the city incurs in setting up and administering the program. Both in St. Paul municipal collection, and in Robbinsdale, there are extra charges for large, bulky items, such as furniture and household appliances. This is generally true for most arrangements between a private hauler and individual households.

Cost disparity by competition and service. As one might guess, the cost of refuse collection varies in part by the amount of service provided. For example, some haulers charge their customers up to \$2.00 per month extra if they must carry the refuse from a location within the yard, rather than picking it up at the curb or in the alley. However, the price appears to be more a factor of the organization of the collection service than the service provided.

Take municipal collection in St. Paul, and Robbinsdale's contracted service, again as examples. In St. Paul, city crews provide curb and alley pickup service, while in Robbinsdale much of the normal household waste is carried out from within the residents' yards. If the carry-out service is in fact worth substantially more than curb or alley service, then the Robbinsdale cost of \$2.51 per month is particularly advantageous vis-a-vis the St. Paul charge of \$6.04 per month.

Minneapolis, St. Louis Park, and Edina (Morningside) provide extra services. In the cities of Minneapolis and St. Louis Park, the haulers regularly pick up large bulky items and yard wastes as part of their weekly collection service. This contrasts with the general practice of assessing an extra charge for large items. In Minneapolis the total service expense was about \$4.69 in 1978. In 1979 the cost will increase, since the city's negotiated contract with the private haulers provides for an escalator equal to the increase in the local consumers price index from November to November, or about 10.2%.

St. Louis Park has a contract that runs through 1982 at \$3.62 per month, with the city charging residents an extra 18 cents per month for administration and billings.

The City of Edina just let a contract for the Morningside area residents for 1979. Under the contract twice-weekly service will be provided for \$4.50 per month, with extra charges for large, bulky items. The contractor bills each household directly for the service. The city requires that all refuse be kept in enclosed areas out of sight from the public. Accordingly, most residential stops in Edina require carrying the rubbish out from within garages.

Savings substantial. While the Edina (Morningside) residents get twice-weekly service for \$4.50 per month, prices we received over the phone from private haulers serving the balance of Edina with once-a-week service ran from \$5.00 to \$6.00 per month.

The median price among 26 haulers serving St. Paul and first-ring suburbs was \$4.50 per month for curb and alley service and \$5.00 per month for in-yard carry-out of house wastes.

RECENT STUDIES FIND LACK OF COMPETITION COSTLY

The Minneapolis/St. Paul Study done by the State Planning Agency for the Legislature found that: *Minneapolis could have saved approximately one million dollars a year if all work had been done by private haulers, and a competitive rate had been negotiated or obtained through bids . . . St. Paul is considering alternatives to its present open hauling system, and is facing the same kinds of pressures that led Minneapolis to deal exclusively on a non-bid basis with a consortium of private haulers (Summary Report, p. 70).*

The Report of the Municipal Finance Commission to Mayor Albert A. Hofstede and the Minneapolis City Council just completed in January recommended that: *Before the current collection contract expires, the City should devise a less costly, more competitive alternative contracting system such as bidding out individual routes to private contractors and city crews.*

OBJECTIVES OF A GOOD SYSTEM

The League finds that it is useful to examine some of the characteristics of a good refuse collection system.

- * A regular, complete and dependable pick-up of refuse should be provided all households.
- * The provision of the service should be mandatory.
- * Refuse collection should be organized officially with only one truck collecting along any given section of street or alley.
- * The system should be responsive to the concerns of individual households and neighborhoods served.
- * The system should be designed to promote price competition among alternative vendors and keep down the cost to the community.

Current experience shows the way. Several local municipalities now largely meet the above objectives. The experi-

ence in Blaine, Columbia Heights, Deephaven, Edina (Morningside), Excelsior, Farmington, Hopkins, Minneapolis, Robbinsdale, St. Louis Park, Shakopee, Stillwater and White Bear Lake shows that a community's refuse collection needs can be met in an efficient and effective way by organizing the system on a community-wide basis.

Those communities letting competitive bid contracts with private haulers have shown that considerable savings to individual households can be achieved through this process. Indirect savings are achieved when the system is financed out of general municipal funds, and the resulting property tax is deductible on one's income tax return.

Public billing for refuse collection is cost-effective vis-a-vis having the users pay the contractor directly, since it can be incorporated into regular water and sewer billings, and there is less likelihood of non-payment. However, the same advantage could also be achieved through some other form of centralized billing . . . perhaps through a contract with the electric or gas utility.

RECOMMENDATIONS

1. **Those suburban communities not now contracting for citywide regular and complete residential refuse collection should do a feasibility study of the relative advantages of such an arrangement.** The larger communities may find it desirable to divide the community into several neighborhoods or community refuse collection districts, each with its own separate refuse collection contract.

Multiple contracts could allow more vendors to compete for the business and allow community input into the monitoring and evaluation of the service provided. Some portions of a municipality might like or require a different type of service. For example, residents in areas with alleys are likely to find carry-out service relatively less attractive than those without alleys.

Specific areas a feasibility study should explore are:

- . What service is to be provided;
 - .. How the service would be monitored and complaints handled;
 - .. How the system would be financed;
 - . The length of the contract;
 - . The provision for any cost adjustments on a term contract; and
 - . Provisions covering the assurance of the contractors' performance
2. **St. Paul should move to a mandatory residential refuse collection system with competitive bid contracting within the 17 community planning districts.**
 - * If there is adequate interest within a Community Planning Council, the City should give the Planning Council authority to be the contracting agency within guidelines established citywide as to the funds available per household and minimum standards.
 - * If there is not a desire on the part of a Community Planning Council to assume this responsibility, the City should let refuse contracts directly for the district on a competitive bid basis.

Provide Flexibility. In the first case, the Planning Council would have some flexibility over what services are provided and how they are organized. For example, the refuse collection might be merged with a program to recycle materials separated out at the individual household level.

Eliminate City Crews. St. Paul would no longer need, and should no longer retain, its municipal refuse collection crews under the new mandatory collection system proposed.

Funding Options. The new system could be financed by special property tax assessments, charges added to the water billings, the general fund (property tax), or a property tax levy restricted to duplexes, triplexes, and single-family dwellings. Either general fund financing or a levy restricted to the types of property serviced would allow the expense to be deducted on the homeowner's income tax return.

3. **Minneapolis should now take a portion of the city served by municipal refuse collection crews and let it out on a competitive bid contract to a private firm.**

The results of this effort should be used to determine the relative merits of dividing the entire city into competitive bid districts for the conversion to that process at the time the city's current contract with Minneapolis Refuse, Inc., expires.

Background. Minneapolis now has a mandatory system of residential collection, using both public and private haulers. Municipal crews collect 45 per cent of the refuse, and an organization of private haulers called Minneapolis Refuse, Inc., (MRI) collect 55 per cent of the refuse.

The Minneapolis system was set up in 1970 when the City went to combined wet garbage and refuse collection. A group of 49 private haulers formed MRI to negotiate a single contract with the City. Each hauler was given his same market share within MRI as he had in the refuse collection market in Minneapolis in 1968.

As part of the current five-year contract, the city crews increased their share of the collection 1,500 households each of the first two years and are increasing their share 1,000 households per year the last three years.

The Minneapolis system assures the private haulers compact, well-organized collection routes. Since it is paid for by property taxes, reimbursement for service is assured.

As noted previously, the standard refuse collection in Minneapolis does provide for the regular pick-up of bulky items for which there would be an extra charge in most communities. However, 81 per cent of the stops provided by the private contractors are at the curb or

alley, and only 19 per cent involve a carry-out from within the yard.

One would expect that the expense of collection would be fairly comparable with first-ring suburban communities that have organized a citywide mandatory collection system. This assumes that the pick-up of large bulky items is at least offset by the lower costs of servicing the 81 per cent with pick-up at curb or alley. As shown in the following table, the cost in fact is much higher.

REFUSE COLLECTION ARRANGEMENTS IN TWIN CITIES METROPOLITAN AREA

Community	Type of Service		Total Monthly Costs	Nature of Agreement	Contract Period	Financing
	Curb or Alley	Carry-Out				
ANOKA		X Extra Items at Curb	\$3.75 (Ad. Included)	Negotiated	N. A.	City Billing
BLAINE		100%	\$3.33 (.42 Ad. Included)	Competitive Bidding	1977 through 1979	City Billing
COLUMBIA HEIGHTS	50%	50%	\$3.30 (.40 Ad. Included)	Competitive Bidding	October 1977 to Oct. 1980	City Billing
DEEPHAVEN	30 ft. Limit	100%	\$3.54	Competitive Bidding	May 1977 to May 1979	City Billing
EXCELSIOR	100%		\$3.17	Competitive Bidding	March 1978 to March 1979	City Billing
MINNEAPOLIS	81%	19%	\$4.69 (.09 Ad. Included)	Negotiated Contract 10.3% Escalator	5-year to July 1980	Property Tax
ROBBINSDALE	Some	Mostly	\$2.51 (No Ad. Included)	Competitive Bidding	January 1979 to January 1980	Property Tax
ST. LOUIS PARK		100%	\$4.00 (.38 Ad. Included)	Negotiated Contract	1978 through 1982	Special Annual Assessment
SHAKOPEE	Mostly	Some	\$3.12 (.10 Ad. Included)	Competitive	To March 1980	City Billing
STILLWATER		100%	\$4.30 (No Ad. Included)	Negotiated	Yearly price— 6 yr.	City Billing
WHITE BEAR LAKE		100%	\$4.28 (.45 Ad. Included)	Competitive Bidding	July 1, 1978 to 1981	City Billing
EDINA-MORNINGSIDE		100%	\$4.50 2/week (No Ad. Inc.)	Competitive Bidding	1-1 through 12-31 yearly	Hauler Bills Quarterly
FARMINGTON	100%		\$4.50	City Crews	—	City Billing
HOPKINS	70%	30%	\$5.50 (est. \$203,000/3,000 Dwellings)	City Crews	N.A.	Property Tax
MINNEAPOLIS (City Crews)	74%	26%	\$4.69 (.09 Ad. Included)	N.A.	N.A.	Property Tax
ST. PAUL (City Crews)	100%		\$6.04	N.A.	N.A.	City Billing
INDIVIDUAL HOUSEHOLDS *	X		\$3.75-5.00 (\$4.50/mo.)	Set Price	N.A.	Hauler Bills
INDIVIDUAL HOUSEHOLDS *		X	\$4.50-7.50 (\$5.00/mo.)	Set Price	N.A.	

* Sample of 25 haulers