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RE: Price Analysis of the Saint Anthony Village Solid Waste Collectors' Proposal for Comprehensive Residential Solid Waste and Recycling Services:
Comparisons of Current Rates vs. Proposed vs. Other Cities' Prices

The existing residential collectors in Saint Anthony Village ("City") submitted a proposal, "Comprehensive Residential Solid Waste and Recycling Services". This proposal is for a new organized residential collection system under a single City contract. The three collectors in the proposed consortium are: Walters Recycling and Refuse, Inc.; Republic Services; and Waste Management of Minnesota, Inc. This memo describes the current rates as paid by residents under the existing open hauling system, summarizes price elements of the collectors' proposal, and provides comparisons to contract prices in other cities in the Twin Cities Metro Area. We understand that fifteen other City priorities related to review of the collectors' proposal are also under consideration, but this analysis is limited to review of prices only.

Summary of Current Rates Under the Existing Open Hauling System

The current open hauling system allows collectors to set their own rates for trash, recyclables, yard waste and other collection services. All residents do not pay the same price. The amount of these rates is affected by current costs of operations and the influence of competition in the open marketplace. Residents with the same level of collection service may not pay the same rate, sometimes even if the services are provided by the same hauler.

Collectors are required to report their current rates on the City's annual "Garbage Hauler/Recycling License" application forms. County and state taxes prescribe the amount (percent) of the tax and define the taxable costs, but do not regulate the amount of the collectors' base fees.

A small sample of collector invoices were provided by Saint Anthony Village residents. These invoices show all base collection fees, surcharges, taxes and recycling fees as currently charged.

The following line item costs may be included within a resident's solid waste services invoice depending in part on the individual collector's business policies and billing procedures:

- ◆ Base trash collection fee
(Varies depending on size of trash cart: small, medium or large, etc.)
- ◆ Collector-imposed fuel surcharge
- ◆ Collector-imposed environmental surcharge
(This is not a government-required item)
- ◆ Other collector-imposed administrative fees or surcharges

“Taxable subtotal”

(The above items are taxable)

- ◆ Recyclables collection fee
(Service is required, but collectors can decide the amount of the fee.
Not taxable)
- ◆ Hennepin County tax
(“Solid Waste Management Fee” of 9%) or
Ramsey County tax
(“County Environmental Charge” of 28%)
- ◆ Minnesota tax
(“State Solid Waste Management Tax” of 9.75%)

Total Monthly “Rate”

Trash “collection” as used within this analysis includes both collection and disposal services. The base collection fee, therefore, also includes the collector's disposal (or “tipping fee”) charges at a solid waste disposal facility (e.g., resource recovery plant or landfill). Similarly, the recycling collection fee includes the cost and revenue for recyclables processing services.

Saint Anthony Village residents are charged the appropriate county tax depending on which county they live in. The state and counties have exempt recycling fees from taxes as a means to encourage increased recycling. There is compounding effect of the collector-imposed surcharges as these are taxable.

Additional optional collection services beyond trash and recyclables collection can be ordered by customers. These optional services include (but are not limited to) yard waste and bulky item collections. Yard waste service can be ordered for the full season or “on-call” on a pay-per-bag unit fee basis. Bulky items include large appliances, furniture and other household goods that are not collected as part of the regular trash or recycling routes. The costs of these optional services were reviewed but are a minor part of the overall rates for residents today. The costs of these optional services are not analyzed further within this memo.

The data from six Saint Anthony Village invoices (five within Hennepin County and one within Ramsey County), indicated a range of **total monthly rates** for trash/recycling services from \$24.50 to \$29.22 per household per month with an average of \$26.69, **after taxes**. This is a very limited sample size, however, and it can be expected that additional invoices would reveal total monthly rates that are both lower and higher than this range. Also, the Ramsey County tax is higher so City residents living in Ramsey County will pay a higher total monthly rate.

It is clear from the sample invoices and other data that rates, in general, continuously increase from year to year.

Summary of the Collectors’ Proposed Contract Prices

Upon request of the City, the Saint Anthony Village collectors submitted a proposal for a new organized collection system. They proposed uniform base trash and recyclables collection fees as are outlined in Table 1. Without the small trash cart, every other week trash service level, the simple average of the trash (only) weekly service levels is \$14.38 per household per month (**before taxes**). The trash + recycling subtotal is \$18.00 per household per month (**before taxes**).

Table 1
Proposed Base Trash and Recycling Collection Fees- Before Taxes
 (Units: \$ per household per month proposed to be paid by the City to the contractor)

Trash Service Level	Trash	Recycling	Subtotal
Small trash cart (every other week)	\$12.35	\$3.62	\$15.97
Small trash cart (weekly)	\$12.35	\$3.62	\$15.97
Medium trash cart (weekly)	\$14.26	\$3.62	\$17.88
Large trash cart (weekly)	\$16.52	\$3.62	\$20.14
<i>Average (weekly levels only)</i>	<i>\$14.38</i>	<i>\$3.62</i>	<i>\$18.00</i>

Source: Collectors’ proposal submitted to the City

The City provided a price worksheet as a form for the collectors to clearly itemize proposed prices. This form specified the definitions of the cost line items and made it explicit that taxes were not to be included. Separate collector-imposed fuel surcharges and other administrative fees were also explicitly prohibited:

“There shall be not additional fees added for such as charges as: administrative fees, environmental fees, fuel surcharge, etc...”

“County charges and State taxes will be billed to residents by the City. Prices are for collection services only without such taxes.”

Under the proposed new system, all City residents would pay uniform base trash collection and recycling fees. The base trash collection fee would vary by level, except that the collectors proposed that the “small every other week” service would be the same fee amount as the “small every week” service.

Table 1 is for the base trash collection, trash disposal and recycling services only **before** taxes. The City proposed to do the billing. The City would pay required taxes to the state and counties, but pass these taxes on to residents within the total trash/recycling rates charged as a part of the City utility bill. The base prices in Table 1 do not include any government taxes on the trash services. Additional prices for yard waste and other optional collection services were proposed but are not included in this price analysis memo.

The recycling service proposed calls for a standard, every other week single-stream collection system. The collectors proposed for the collectors to own the carts for all service types: trash, recycling and optional yard waste. The collectors proposed that their prices would increase annually proportional only to the U.S. Consumer Price Index (CPI). The proposed prices do not include any form of annual fuel cost adjustment or surcharge. The collectors’ proposal does not include any collections from City buildings, parks or special events.

Preliminary Estimates of City Administrative Costs

The negotiated proposal was the result of several meetings between the City staff team and the residential collectors. A set of collection service specifications was developed. These service specifications outline the various responsibilities proposed for the collectors vs. the City. In general terms, the City would likely provide the following administrative services to support the new system:

- ◆ Contract management, including executing and monitoring a new collection services agreement with the collectors.
- ◆ Establish a new, dedicated solid waste management fund.
- ◆ Set up the trash/recycling rates to be incorporated into the City’s existing utility billing system.
- ◆ Manage and operate the new trash/recycling billing system, including (but not limited to):
 - Receiving residents’ orders for level of service (including any optional services such as yard waste collection);
 - Itemizing various unit base collection fees;
 - Calculating appropriate state and county taxes (depending on the location of the residence);
 - Receiving and accounting for residents’ payments; and
 - Identifying and managing delinquent accounts.

- ◆ City public education, awareness and outreach activities (e.g., providing clear guidance for residents about the new system, including materials handling, storage and set-out instructions).
- ◆ Provide customer service to residents via telephone and other electronic communications (e.g., email, etc.).
- ◆ Provide feedback to the collection contractor as needed including service level change orders, complaints and other service related issues.
- ◆ Planning and coordination with county staff related to other new programs and services (e.g., food waste/organics collection).

The new residential collection services would be for “single-family” households up through fourplexes (approximately 2,400 households). Above fourplexes are defined as commercial properties and would continue to be served by private, licensed haulers as they are now in an open hauling system.

These City billing, public education and other administrative activities will include one-time set-up costs and ongoing operating costs. The new system would go through an initial transition period to establish new policies, programs and procedures. But once the new program has been in place for a while, the ongoing City administrative costs would likely settle down to a manageable level of effort. There is likely not enough ongoing work to justify a full new position. The additional, collective effort of staff on the City’s solid waste team could add up to as much as one-half of a full time equivalent (FTE). Out-of-pocket public education expenses could be up to \$10,000. Therefore, the City’s total ongoing administrative costs could be up to about \$50,000 per year. This is the equivalent of about \$1.74 per household served per month. These are very rough, preliminary estimates that need further review and verification by the City.

Comparison of Proposed Contract Prices to Current Rates

Table 2 summarizes the current, weighted-average trash collection fees reported to the City per the annual “Garbage Hauler/Recycling License” application forms. These fees are averages of rates as reported by the three residential collectors, weighted by market share.

The City’s license application forms state “What fees will be charged?” But the forms do **not** explicitly define the fees as “base” fees (before other taxes and charges) or “totals” (e.g., after all collector-imposed surcharges, before taxes). Table 2 may or may not include fuel surcharges and other collector-imposed administrative fees. Also, Table 2 may or may not include recycling as these recycling fees are not explicitly itemized on the City’s license application forms. There is some uncertainty about the accuracy of these license application – reported fees compared to actual residential rates as charged to residents.

Table 2
Residential Collectors' Reported Fees vs. Proposed Fees - Before Taxes
 (Units: \$ per household per month)

Trash Service Level	Current Reported Prices ^(a)	Proposed Trash + Recycling Subtotal ^(b)	Percent Change (% of Current Reported)
Small trash cart (weekly)	\$17.26	\$15.97	-7%
Medium trash cart (weekly)	\$18.61	\$17.88	-4%
Large trash cart (weekly)	\$19.50	\$20.14	3%
<i>Average (weekly levels only)</i>	<i>\$18.45</i>	<i>\$18.00</i>	<i>-2%</i>

Sources:

(a) Residential Collectors' Annual "Garbage Hauler/Recycling License" applications as submitted to the City (average of three collectors' reported rates, weighted by market share);

(b) Table 1 "Subtotal" of collector-proposed fees (trash + recycling)

The reported fees as summarized in Table 2 provide one means of comparing proposed contract prices for base trash collection fees in Table 1 (both tables are **before** taxes). The weighted-average from Table 2 of reported prices is \$18.45 per household per week. The average proposed fees (trash + recycling) from Table 1 is \$18.00, or about 2% lower than the current reported prices weighted average.

Another means of comparison was offered by the collectors. They estimated the "current market prices" for trash + recycling (**before** taxes). The collectors' estimates of "current market prices" for weekly trash service were: \$19.12 for a small trash cart; \$20.60 for a medium trash cart; and \$21.92 for a large trash cart. This results in a simple (i.e., unweighted), average of \$20.55 from the collector's "current market prices" (weekly trash cart service only). The difference between this "current market price" average and the proposed (Table 1) average contract prices for weekly trash + recycling service is \$2.55 per household per month (\$20.55 - \$18.00) or 12% of the collectors' estimate for "current market prices."

Our understanding is that the three companies compiled an average of selected trash rates currently charged to City residents for purposes of comparing "current market prices" to their proposed contract prices. The source/raw data were not provided to the City, only a "Summary of Current Monthly Market Price Savings." We understand that "current market prices" include collection and disposal costs but not taxes.

It is important to note the collectors are comparing current "open hauling" rates as paid by customers to the proposed prices for the City contract. What residents pay may not be the same as what the City could pay its contractor within a potential future contract. The City will have additional administrative costs (see discussion and estimates above) that are not yet

added together with the collectors' proposed contract prices to calculate estimates of total rates that may be charged to residents under the proposed new organized system.

Other Cities with Contracts for Trash/Recycling Services

Contract prices for trash and recycling services from 10 other Metro Area cities were reviewed as a means to compare to the Saint Anthony Village collectors' proposed prices. Table 3 (see next page) is a summary comparing the proposed prices (before taxes) from Table 1 compared to the average of prices from the other 10 cities.

Table 3
Comparison of Proposed Trash and Recycling Prices vs.
Contract Prices from Other Cities
 (Units: \$ per household per month. Before Taxes)

Trash Service Level	Proposed ^(a)	Contract Prices from 10 Other Cities ^(b)	Percent Higher than Comparables
Trash Only (Collection + Disposal):			
Small (weekly)	\$12.35	\$8.49	45%
Medium (weekly)	\$14.26	\$10.05	42%
Large (weekly)	\$16.52	\$12.62	31%
"Average of Trash Only" (weekly only)	\$14.38	\$10.39	38%
TOTAL OF TRASH + RECYCLING:			
Small (weekly)	\$15.97	\$11.68	37%
Medium (weekly)	\$17.88	\$13.24	35%
Large (weekly)	\$20.14	\$15.81	27%
"Average Total" (weekly only)	\$18.00	\$13.58	33%

Sources:

(a) Collectors' proposal submitted to the City (See Table 1, page 1).

(b) Review of 10 other cities with trash/recycling contracts (See Attachment 1, page 11 for details)

These types of city to city comparisons are an imperfect art. There are many variables that affect these contract prices:

- City billing vs. contractor billing.
- City-owned carts vs. contractor-owned carts.
- Trash disposal costs itemized separately vs. lumped unspecified with collection service.
- City pays disposal directly vs. contractor pays disposal.

- Trash disposal costs (i.e., tipping fees at resource recovery facilities) vary by county.
- Relative amount of the recycling price vs. trash price. How much of the trash costs are shifted into the recycling price to avoid the government taxes?
- City buildings and other facilities included in base price (without additional charge) vs. excluded as a separate pay item.
- Special events collections included in the base price (without additional charge) vs. excluded or as a separate pay item.

Attachment 1 at the end of this memo (see page 11) shows the details of contract prices (before taxes) from the other 10 selected cities. In general, these are “bundled” contracts that include both trash and recycling.

Some of these cities in this list in Attachment 1 have a consortium of collectors serving under one contract (e.g., Little Canada, Champlin). Each city with a consortium has a unique history of how the consortium was developed. In general, the collection service contract procurement process has involved some element of negotiation for cities that have a consortium. All other cities used a more standard request for proposals (RFP) procurement process for selecting their contractor and establishing the contract prices.

Other Studies

Several other studies have found while price related issues are complex, residents in organized collection systems can and do pay less than residents of open collection systems. The Minnesota Pollution Control Agency (MPCA) commissioned a study in 2009 on various solid waste and recycling collection systems.¹ The MPCA study also found that rates vary considerably within a single open hauling city and even vary by hauler providing the same level of service. One explanation is that it is a common practice in open hauling communities for collectors to offer introductory rates (e.g., starter price for the first three months) and other discounts. Many other variables also impact the price of service in open hauling communities.

Cost issues were covered from a number of approaches in the MPCA study including the literature review, municipal surveys of 50 Minnesota cities, and the in-depth analysis of 10 Minnesota cities. MPCA summarized the rates analysis comparing solid waste prices for organized (contract) collection versus open hauling systems.² See Table 4 on the next page for the MPCA summary of prices. Cities with a population over 10,000 were selected for a survey about trash and recycling rates. The data in Table 4 represents results from 20 organized contracts and 67 different hauler bills from open hauling cities. The prices

¹ Minnesota Pollution Control Agency (MPCA), “Analysis of Waste Collection Service Arrangements” by Foth Infrastructure & Environment, LLC (June 2009): <http://www.pca.state.mn.us/index.php/waste/waste-and-cleanup/waste-management/solid-waste/integrated-solid-waste-management/waste-collection-service-arrangements.html>

² MPCA fact sheet, “The Benefits of Organized Collection: Waste Collection Service Arrangements (February 2013): <http://www.pca.state.mn.us/index.php/view-document.html?gid=17347>

displayed include both trash and recycling, but not taxes. In open hauling cities, if the hauler includes extra charges (e.g., fuel surcharge and/or other administrative fees) these hauler-imposed surcharges are included.

Since the MPCA study was published, one city, Maplewood, in the Metro Area has converted from open hauling to organized/contract collection. The City of Maplewood reports their residents are now saving about \$1.5 million per year compared to the previous open hauling system that existed prior to 2012 when the new organized collection structure was implemented.

Table 4
Summary of Contract Prices vs.
Rates in Open Hauling Structures
 (Units: Average \$ per household per month. Before taxes.
 Includes recycling and hauler-imposed surcharges.)

	30 Gallon	60 Gallon	90 Gallon
Open	\$19.25	\$20.94	\$21.99
Organized	\$11.72	\$13.22	\$16.70
Difference	\$7.53	\$7.72	\$5.29
<i>Percent decrease</i>	<i>39%</i>	<i>37%</i>	<i>24%</i>

Source: Minnesota Pollution Control Agency, 2009

Findings and Conclusions:

1. The current open hauling system allows collectors to set their own fees for trash, recyclables, yard waste and other collection services. All residents do not pay the same price, even for the same service level by the same hauler.
2. The total monthly rates currently charged to City residents include base trash collection/disposal fees, collector-imposed fuel surcharges, and other collector-imposed administrative fees (e.g., “environmental” fees); These line items are all taxable. Total rates also include recycling charges (tax exempt), county taxes and state taxes.
3. Table 1 indicates the collector – proposed contract prices. Without the every other week trash services level, the average proposed contract prices of the trash (only) weekly service levels is \$14.38 per household per month. The average trash + recycling contract prices subtotal is \$18.00 per household per month (**before** taxes).
4. Collectors are required to report their current rates on the City’s annual “Garbage Hauler/Recycling License” application forms. Averages of these reported rates were calculated and weighted by market share. The weighted-average of weekly service levels from these license application forms is \$18.45 per household per month (see Table 2). There is some uncertainty about cost items that are included and the accuracy

of this reported license application data compared to actual rates. Table 2 shows the difference between the weighted-average reported fees vs. average proposed fees (trash + recycling) is 2% lower ($(\$18.45 - \$18.00)/\$18.45$).

5. Limited data from six Saint Anthony Village invoices (five within Hennepin County and one within Ramsey County) indicated a range of **total monthly rates** for trash/recycling services from \$24.50 to \$29.22 per household per month with a simple average of \$26.69, **after taxes**. This is a very limited sample size, however, and it can be expected that additional invoices would reveal total monthly rates that are both lower and higher than this range.
6. To calculate an estimated savings, the collectors compared current market rates as paid by their residential customers within the current open hauling system to the proposed prices for the City contract (Table 1). These rates paid by residents vs. proposed contract prices are not directly comparable. The City will have some additional costs that also will need to be added into the rates to be charged to residents under the proposed system.
7. The City's total ongoing administrative costs could be up to about \$50,000 per year under one scenario (e.g., at an additional 0.5 FTE). This is the equivalent of about \$1.74 per household served per month.
8. The proposed price schedule (Table 1) has the same rate of \$12.35 per household per month for the small cart, every other week (EOW) trash service level as the small trash cart collected weekly. EOW trash service means 26 collections per year instead of the normal weekly service which is 52 collections per year. The proposed EOW trash price should reflect this savings in cost of operations. Other cities have seen a 23% to 39% contract price discount for EOW trash service compared to the same size trash cart collected weekly.
9. The following tentative conclusions can be developed by comparing the collector - proposed prices for Saint Anthony Village vs. other cities' contract prices (Table 4):
 - ◆ The collector-proposed trash (only) prices are an average of 38% higher than the other contract cities analyzed. The proposed total (trash + recycling) prices are an average of 33% higher than the other cities' contract prices. (These comparisons are all from prices before taxes. The differences will be greater when taxes are included.)
 - ◆ These results are similar to data from other studies that have compared open hauling vs. contract prices for trash/recycling services.
 - ◆ The City may be able to obtain lower contract prices through an alternative method of organized collection, especially if a competitive procurement process is used.

Attachment 1
Contract Trash and Recycling Prices from Other Cities in the Twin Cities Metro Area
(Units: \$ per household per month. Before taxes)

Trash Service Level	SAV Collectors' Proposed Prices	Shak- opee	White Bear Lake	Maple- wood	St. Louis Park	Blaine	Champlin	Columbia Heights	Little Canada	North St. Paul	Robbins- dale
Trash (only)											
Small or very small (every other week)	\$12.35	\$5.94		\$4.22							
Small (weekly)	\$12.35	\$7.71	\$8.43	\$6.97	\$7.05	\$10.75	\$10.33	\$10.75	\$6.15	\$8.82	\$7.96
Medium (weekly)	\$14.26	\$9.84	\$11.26	\$7.91	\$8.03	\$12.28	\$11.31	\$12.28	\$7.25	\$10.78	\$9.58
Large (weekly)	\$16.52	\$11.96	\$15.85	\$8.97	\$9.00	\$13.82	\$12.28	\$13.82	\$15.75	\$13.55	\$11.16
Recycling (every other week)	\$3.62	\$3.95	\$3.00	\$1.75	\$2.54	\$2.73	\$3.95	\$3.09	\$5.00	\$3.03	2.87
TOTAL OF TRASH + RECYCLING:											
Small or very small (every other week)	\$15.97	\$9.89		\$5.97							
Small (weekly)	\$15.97	\$11.66	\$11.43	\$8.72	\$9.59	\$13.48	\$14.28	\$13.84	\$11.15	\$11.85	\$10.83
Medium (weekly)	\$17.88	\$13.79	\$14.26	\$9.66	\$10.57	\$15.01	\$15.26	\$15.37	\$12.25	\$13.81	\$12.45
Large (weekly)	\$20.14	\$15.91	\$18.85	\$10.72	\$11.54	\$16.55	\$16.23	\$16.91	\$20.75	\$16.58	\$14.03

*Sources: SAV collectors' proposal submitted to the City (See Table 1, page 1); and
Review of 10 other cities with trash/recycling contracts.*