



DATE: June 5, 2015
TO: Mayor, City Council and City Manager
FROM: Karl Keel, Director of Public Works
RE: **Organized Collection – Issues/Questions from June 1st Public Hearing**

A public hearing was held on June 1, 2015 to receive testimony regarding the City’s proposal to implement organized collection based on the negotiated proposal submitted by existing haulers in Bloomington. Over 500 people attended the hearing and approximately 90 residents addressed the City Council. This memo provides initial responses to some of the most common issues and questions raised by the public and City Council at the hearing.

As presented at the June 1st hearing, the City Council will consider approving organized collection, based on the hauler proposal, at its June 22, 2015 meeting. Please forward any additional questions or issues needing clarification to the City Manager.

Issues/Questions and Responses

1. How did the City estimate current rates paid in Bloomington?

The current estimate was based on a voluntary survey of 275 residences. Invoices from residents were submitted following an open request from the City on its website, individual contacts and e-mails to residents participating in the City’s E-Subscribe system. These invoices were carefully reviewed to identify the specific services and associated fees provided, cart size and various add-on fees. The current average paid in Bloomington, based on this survey, is \$26.72 per month which includes the total cost (base fees, extra fees, taxes, etc.) for trash and recycling collection.

This data provided a simple “snapshot” of current rates during the sampling time period of September through October 2014. It includes invoices from all seven licensed residential haulers in Bloomington. The data was consistent with the results of previous analyses by City staff, interested residents and the City’s consultant from other studies. The sampling method was not intended to be statistically representative of the citywide population because the invoices were supplied on a voluntary basis and not technically from a fully randomized sample.

The 2009 study completed for the Minnesota Pollution Control Agency (MPCA) (Analysis of Waste Collection Service Arrangements) resulted in an average cost savings of approximately \$100 per household per year in communities that have moved from open systems to organized collection.. The Bloomington “snapshot” results compared to the

Hauler Proposal resulted in a cost savings of \$99 per household per year. The Bloomington “snapshot” results are consistent with the MPCA findings.

Both staff and the consultant believe that the collected survey data does provide a reasonably accurate estimate of fees currently being charged in Bloomington.

Early in the negotiation process, staff asked the Haulers to provide customer invoice data for analysis. At that time, the Haulers were not willing to share this specific data for fear of losing control of this important business data. At a recent City Council meeting, two of the Haulers indicated that they would be willing to share their proprietary data. Acquisition of this data from two of the seven Haulers, while helpful, would still not constitute an unbiased data set and would present some complications regarding data privacy concerns. Analysis of data from all the haulers would require a significant staff/consultant effort and would take several months to complete. Staff proposes to request summary reports from each hauler to share average rates for various services and cart sizes. While such data would not be audited for accuracy, it would give us an additional data point for comparison purposes and could be generated in a timely manner.

The current Bloomington rate data has been used as one of three benchmarks for comparison to the Haulers’ various proposals. The other two benchmarks are the comparable weighted average prices from other cities with negotiated contracts and from others cities with competitive contracts. These other two benchmarks are very accurate and have become more important as the Bloomington Haulers’ proposal has evolved and proposed prices have been lowered.

2. Will there be additional fees or service charges beyond those proposed at the public hearing?

Under the proposed organized collection Contract, no extra fees (e.g., fuel surcharges) will be charged. In the current open hauling system, haulers charge residents a base rate. Some haulers will then add on additional charges. Depending on the individual hauling company, these types of extra charges often include fuel surcharges, “environmental” fees, and/or other administrative fees. In open hauling systems, these additional charges are defined and imposed by the private haulers without any effective regulation. Such extra fees are not proposed as part of Bloomington’s current proposal for organized collection.

3. Can residents compare their current invoices to the proposed organized collection rates?

Yes, with several cautions. The rates proposed by the City include all taxes, charges and extra fees. Haulers often offer temporary promotional discounts as an incentive for residents to switch companies. Some residents have focused only on their base or current promotional rates and were not fully considering the government taxes, hauler-added extra charges, or rate increases over time.

One of the challenges of open hauling systems is that there are no standardized and effectively regulated methods for calculating taxes, extra charges, and rate increases. Several residents have come forward with their actual invoices from their current hauler to compare against the proposed organized collection prices. Some residents were

surprised to learn that their current rates are higher than the proposed organized collection prices due in part to the confusion between the different rates and actual costs. It is nearly impossible to accurately compare current rates without a careful review of actual invoices.

4. What are the estimated City costs for utility billing and administrative services to operate organized collection?

Staff estimates the City staff cost to operate organized collection to be approximately \$1.00 per household per month. Since this is a new program for Bloomington, the utility billing and administrative costs have been estimates based on a set of assumptions about system design and level of City staff effort. The estimate of \$1.00 per household per month is a conservative estimate and hopefully will decrease as an organized collection program, if approved, develops. Note that this \$1.00 estimate does not include the cost associated with additional solid waste and environmental educational efforts previously discussed with the City Council that are not directly related to the operation of an organized collection system.

5. Do subscribers of yard waste service receive unlimited service or is there a charge for extra bags beyond the provided cart?

When asked this question at the June 1st hearing, Staff was not certain of the correct answer. Since the hearing, Staff has reviewed the details of the Hauler's proposal and verified this issue with the Haulers.

Residents that subscribe to yard waste service will be charged \$6.63 per month (billed on an annual basis). This monthly price includes an unlimited amount of bagged yard waste – including bagged yard waste outside the provided cart. “On Call” yard waste service is available to households that do not subscribe to yard waste service at a \$4.00 per bag charge. For example, residents may elect to not subscribe to annual yard waste service and just call and pay per bag in the spring or fall or as needed during the year.

6. Will compostable yard waste bags be required?

Yes. Minnesota Statute 115a.931 requires residents that bag yard waste for collection to use compostable bags. Compostable bags must meet specific industry standards (i.e., ASTM Standard Specification for Compostable Plastics D6400). This law applies under both an organized and an open collection system.

7. What if a resident is out of town and does not need service?

While the exact contract language with the haulers has not yet been negotiated, some form of a “service hold” system will be allowed for residents that are not in their homes for a specified period of time. For example, some residents take extended vacations (e.g., for three weeks or more) and wish to suspend service during that time. Specific details will be developed with final contract negotiations. It is anticipated that the final details will closely match the terms that currently exist in most hauler contracts – both in open and organized collection systems.

8. Who will take the phone calls and how will customer service be guaranteed?

Customers will have one phone number identified for all customer service inquiries including hauler related services and billing. The final hauler contract will include specific customer service requirements and associated penalties that are similar to such provisions written into other organized collection contracts in the Twin Cities area. Staff has contacted several organized collection communities regarding customer service and has found that customer service has not proven to be a significant issue in those communities.

Detailed customer service requirements will be negotiated into the final contract. For example, the haulers will be required to respond to a customer within a certain period of time. The exact timeframe will be determined by the type of customer service request. (For example, any spills must be cleaned up within three (3) hours of notice.)

The final contract will also have several means to help guarantee quality service. For example, if a significant issue is not resolved in the specified timeframe, “liquidated damages” can be assessed against the Haulers through the consortium. These types of liquidated damages provisions in municipal collection contracts are very typical in the solid waste industry.

If an issue is still not resolved, or if an ongoing pattern of substandard service occurs (e.g., continued non-responsiveness to customer service requests), the consortium could be determined to be in breach of the contract. If it is determined that the consortium is in breach of the contract, one option is contract termination. We expect that, in most instances, the consortium would remedy the deficiencies of an individual hauler before having to endure any contract penalties as a whole.

The current Hauler proposal is for a five (5) year contract term with a five (5) year extension if quality service has been provided. The City could choose not to extend the contract for the second term if the consortium demonstrates a pattern of non-responsiveness or have other persistent service quality issues.

9. What happens with the existing contracts residents have with their haulers?

The proposed organized collection contract will require the Haulers to cancel their existing contracts with individual residents on a pro-rated basis so the public will only pay for services received and not for future services under such a closed contract. The Organized Collection Statute calls for a minimum six-month transition period to provide for adequate notice and other communications. The proposed final contract will include a detailed implementation schedule including such billing transitions. Current hauler licenses include a provision that they are only valid in the existing open collection system and would become invalid with the implementation of organized collection.

10. What does the technical literature indicate about the relative impact of trash trucks on roadways?

This question has been studied by a variety of researchers nationally and to a certain extent internationally. Universally, there is agreement among pavement design engineers that heavier vehicles have a larger negative impact on pavement life. One study quotes that trash trucks have the equivalent impact of approximately 1,300 passenger cars

(Trash Services Study, by the R3 Consulting Group, City of Fort Collins, Colorado, 2008).

The analysis of the actual difference in road impacts between open and organized collection has many variables including pavement design, pavement construction, number of haulers (i.e., market share), number of separate materials collected (trash, recyclables, yard waste, etc.), type of truck, actual weights of the trucks and their payloads, varying weather conditions, and so on. One recent study in Minnesota has tried to model these variables to predict pavement life (Assessing the Effects of Heavy Vehicles on Local Roadways, by Dr. W. James Wilde, P.E.; Center for Transportation Research and Implementation, Minnesota State University, Mankato; July 2014).

Numerous studies have been completed by a variety of institutions and trade organizations that attempt to quantify the damage done to roadways by garbage trucks and other heavily loaded vehicles. However, there is no industry accepted methodology for such predictions. As such, staff is not able to accurately predict the specific impacts of garbage trucks on Bloomington roadways let alone the amount of road maintenance savings that would be realized by a switch to organized collection.

11. Will garbage have to go to the Hennepin Energy Recovery Center (HERC) under the contract?

Municipal solid waste (MSW) collected under a contract with a public entity such as the City of Bloomington must be managed in accordance with Minnesota Statute 115a.471 Public Entities: Management of Solid Waste. Under this statute MSW collected in the City of Bloomington under an organized collection contract must be processed at HERC and cannot be hauled directly to a landfill.

12. What is the history of the disposal charges (aka “tipping fees”) at the Hennepin Energy Recovery Center (HERC)?

Haulers will be required to deliver waste to HERC. It is anticipated that they will do so at established contract tipping fees. The following is a history of HERC contract tipping fees for the past five years:

2011	\$45.00 per ton
2012	\$47.00 per ton
2013	\$47.00 per ton
2014	\$49.00 per ton
2015	\$49.00 per ton

The rates, on average, over the last five (5) years have increased approximately \$1.00 per ton per year.

13. What are the statistics from the City’s crash records about trash trucks?

City crash records do not classify trash trucks separately from other commercial vehicles. As such, original searches of crash data did not separate trash collection vehicles. Recently, staff queried the data for key words like “trash” and “garbage” and were able to identify the following incidents involving garbage trucks:

<u>Year</u>	<u>Number of Incidents Involving Garbage Trucks</u>
2015	2
2014	5
2013	5

Generally, these incidents were minor “fender benders” and did not involve any indications of personal injury – with the exception of one involving an apparent heart attack that was not related to a vehicle crash. Relative to the amount of garbage truck traffic in the community, the number of incidents reported above are very small and do not raise a concern specific to garbage trucks. That said, garbage collection vehicles are very large and have the potential to cause significant damage and injury if they are involved in crashes. As such, reducing the number of trucks in the community will reduce the potential for related accidents which will improve safety. However, since the number of existing crashes is so small, it is unlikely that a switch to organized collection will result in a measurable reduction in garbage truck crashes.

14. Why not have City crews and trucks provide the Citywide Curbside Cleanup Program again?

Currently, the delivery of the Citywide Curbside Cleanup Program is done by contract with Republic Services – a large solid waste company. Republic is also one of the City’s currently licensed residential haulers. The program requires large specialized vehicles, concentrated staffing and involves the parsing of various materials for separate disposal or recycling – a process most efficiently handled by well-equipped solid waste professionals.

Up until 1982, the program was accomplished by City forces and all waste was disposed of at the Flying Cloud Landfill. The program was discontinued in 1982 due in large part to reductions in State Aid which was used to fund the program. In 1990, a program focused on specific neighborhoods was initiated by the HRA that relied on contractual services. In 1998, this program, which operates much the same as it does today, was expanded citywide and the costs shifted to a newly established Solid Waste Fund.

While technically feasible, City operation of the Citywide Curbside Cleanup Program would require the rental or purchase of new equipment, significant additional temporary labor and would involve many liability issues not currently familiar to City operations. Staff is confident that the most efficient way to provide this service is as a contractual service.