

**Winnetka Village Council
STUDY SESSION
Village Hall
510 Green Bay Road
September 10, 2019
7:00 PM**

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AGENDA

- 1) Call to Order
- 2) Public Comment
- 3) Residential Refuse Collection Evaluation Follow-Up.....2
- 4) Closed Session
- 5) Adjournment

NOTICE

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Agenda Item Executive Summary

Title: Residential Refuse Collection Evaluation Follow-Up

Presenter: Steven M. Saunders, Director of Public Works/Village Engineer

Agenda Date: 09/10/19

Consent: YES NO

- Ordinance
- Resolution
- Bid Authorization/Award
- Policy Direction
- Informational Only

Item History:

May 8, 2018 Council Study Session
April 25, 2019 Special Council Meeting
July 9, 2019 Special Council Meeting

Executive Summary:

At the April 25 Special Council Meeting, staff presented a review of the Village's refuse collection operations. The Council heard input from community members present and discussed options for food-waste composting, changes to commercial refuse service, and possible ways to incentivize lower refuse generation and reduce operating costs through curbside and "Pay-As-You-Throw" (PAYT) collection programs. Staff was asked to prepare a menu of refuse service options that includes curbside collection and PAYT, and composting; and to research a franchise option for commercial collection.

As a follow-up to that meeting, at the Village Council's July 9 Special Meeting, staff presented additional information indicating that the Village's financial software is not compatible with RFID chips for a PAYT billing system. Staff could, however, use several sizes of containers to differentiate rates for amount and frequency of pickups. Although such a program would require vetting, the 2020 Budget proposal would contain an item for purchasing new refuse containers to go along with implementation of a PAYT refuse program. Staff also discussed altering the base level of refuse service to place containers by the house in a location visible from the street so refuse collectors can operate more efficiently and with fewer missed pickups. The Council discussed the option of curbside collections and using different sized bins for a pay as you throw option, and determined that the Village would hold one more Study Session on these issues. The Council directed staff to prepare a potential fee structure for a PAYT program for review at the additional Study Session.

Currently, the Village's refuse collection operations are entirely fee-funded, meaning no property tax revenues are used to support refuse collection, recycling, disposal, and cleanup week operations. All residential refuse collection customers are billed \$45 per month (\$90 per bi-monthly billing cycle), which covers once-weekly collection of two (2) 37-gallon cans of refuse from the rear of house or alley, once-weekly curbside recycling collection, and the Village's annual spring cleanup services. The Village offers an optional second weekly refuse collection for an additional \$50 per month.

Executive Summary (continued):

In order to provide a modified PAYT program that incentivizes waste reduction, as well as to allow for a curbside option, a new, differentiated fee structure will be needed. During the Council discussion, several Trustees expressed a desire to see some possible differentiated rate structures as an aid in decision-making about a modified PAYT system.

Staff has evaluated several possible rate structures that provide sufficient revenue to fund the Village' refuse operation, provide residents with a degree of choice on the level of service they wish to receive, and provide a financial incentive to reduce the amount of refuse generated. These rate structures fall within the ranges below:

Service Level	Monthly Cost Range
1x/week curbside (or alley) 35 gallon cart	\$22.00 - \$27.00
1x/week curbside (or alley) 65 gallon cart	\$33.00 - \$38.00
1x/week backdoor	\$45.00 - \$55.00
2x/week backdoor	\$100.00 - \$110.00

Note: Customers currently served from alleys would remain as alley service and be billed at curbside rates.

There are a number of potential advantages to providing a modified PAYT program with a curbside option:

- As recommended by the Village Environmental & Forestry Commission, it provides residents with a financial incentive to reduce the amount of refuse generated for disposal
- It provides residents with choices on the level of refuse collection service they wish to pay for and receive
- It sends a price signal pointing residents toward the curbside collection options. Sufficient penetration of curbside service will reduce staff time and equipment needs associated with refuse collection compared to back-door service
- Curbside container service reduces injury potential and service difficulties associated with back-door collection work

Recommendation:

Staff proposes to prepare the Fiscal 2020 budget so as to allow transitioning to a modified PAYT program during the 3rd Quarter of the Fiscal Year.

Attachments:

Agenda Report

Agenda Report

Subject: Residential Refuse Collection Evaluation Follow-Up

Prepared By: Steven M. Saunders, Director of Public Works/Village Engineer

Date: September 10, 2019

Background

At the April 25 Special Council Meeting, staff presented a review of the Village's refuse collection operations. The Council heard input from community members present and discussed options for food-waste composting, changes to commercial refuse service, and possible ways to incentivize lower refuse generation and reduce operating costs through curbside and "Pay-As-You-Throw" (PAYT) collection programs. The general consensus was that the community is happy with Village-run refuse collection, but the system needs rethinking. Staff was asked to prepare a menu of refuse service options that includes curbside collection and PAYT, and composting; and to research a franchise option for commercial collection.

As a follow-up to that meeting, staff completed additional research for the Village Council's July 9 Special Meeting. Staff's presentation indicated that the Village's financial software is not compatible with RFID chips for a PAYT billing system. Staff could, however, use several sizes of containers to differentiate rates for amount and frequency of pickups. Although such a program would require vetting, the 2020 Budget proposal would contain an item for purchasing new refuse containers to go along with implementation of a PAYT refuse program. Staff also discussed altering the base level of refuse service to place containers by the house in a location visible from the street so refuse collectors can operate more efficiently and with fewer missed pickups; complaints about the refuse fee from people who only generate limited amounts of refuse and having an option for these residents; and providing a financial incentive to generate less material for the landfill. The Council discussed the option of curbside collections and using different sized bins for a pay as you throw option, and determined that the Village would hold one more Study Session on these issues. The Council directed staff to prepare a potential fee structure for a PAYT program for review at the additional Study Session.

Residential Refuse Collection Rate Determination

Currently, the Village's refuse collection operations are entirely fee-funded, meaning no property tax revenues are used to support refuse collection, recycling, disposal, and cleanup week operations. All residential refuse collection customers are billed \$45 per month (\$90 per bi-monthly billing cycle), which covers once-weekly collection of two (2) 37-gallon cans of refuse from the rear of house or alley, once-weekly curbside recycling collection, and the Village's annual spring cleanup services. The Village offers an optional second weekly refuse collection for an additional \$50 per month. In order to provide a modified PAYT program that incentivizes

waste reduction, as well as to allow for a curbside option, a new, differentiated fee structure will be needed. During the Council discussion, several Trustees expressed a desire to see some possible differentiated rate structures as an aid in decision-making about a modified PAYT system.

Staff has evaluated several possible rate structures, which will be presented and discussed below. Before evaluating potential fee structures, however, it is important to discuss some of the constraints and tension points that go into rate-making. First, for any enterprise that intends to remain viable, the rate structure must produce sufficient revenue to cover expenses, and expenses must be curtailed to stay within revenues. Village staff has made some long-term estimates of a sustainable operation that does not include collecting refuse from institutional and commercial customers, and that includes a significant curbside component for residential services. This would likely allow reassignment of two full-time staff and a reduction in the amount of temporary help needed. Using estimated FY 2020 costs, staff estimates that annual refuse fee revenues required to fund residential services will be approximately \$1,965,000.

A second constraint is maintaining refuse service rates that are competitive and represent a good value for the services received. In the case of refuse service, that means making certain that any proposed differential-rate fee structures are informed by comparative rates for similar services in other communities. In Winnetka's case, because of the extremely customer-friendly basic service (collection from essentially any accessible location on the property), it is very difficult to identify comparable service charges from other communities. A number of other area communities that offer other-than-curbside refuse collection (usually "top-of-drive", which is VERY different than the Village's back-door service) and will use rate information from those communities for comparison to ensure that Winnetka's rates are reasonably competitive.

A third constraint involved in providing effective differentiated rates is that the rate differentials should reflect to the greatest degree possible the relative comparison between service levels, and the behavior incentives, if any, that are desired. For example, there should be sufficient separation between providing smaller and larger curbside carts to effectively incent people to produce less refuse and use a smaller cart. Likewise, there should be sufficient separation between curbside and backdoor rates to reflect the different levels of service. A final constraint for this particular exercise arises from the preference of several Trustees to maintain, if possible, the current \$45 per month fee for once-weekly backdoor service as part of a differentiated rate structure.

Refuse Collection Service Options

Current refuse collection service consists of the following services, billed at a rate of \$45 per month:

- Once-weekly collection of refuse from the rear of the house, or alley, from two (2) 37-gallon cans
- Once-weekly curbside collection of recyclables using a 65-gallon wheeled container
- Annual curbside Spring Cleanup Week service

Additional, optional services include twice-weekly backdoor service (\$50/month additional), yard waste collection (\$2.50 sticker per bag or brush bundle), additional can collection (\$2.50 sticker per can), and special collections for larger items or high volumes (rates vary).

Staff anticipates some modifications to these service levels to support a differential rate structure and to reduce operating costs. First, a curbside option should be considered, to allow residents an opportunity to reduce their refuse collection costs by reducing service levels. The curbside option should include two different container sizes (35-gallon and 65-gallon) to incentivize reducing the amount of refuse generated. Second, consideration should be given to modifying the collection point for backdoor service to “top-of-driveway” so that, on collection days, containers should be accessible and visible from the street or alley. This step would improve service consistency and also improve route efficiency.

Differentiated Rates for Refuse Collection

One of the most difficult aspects of developing a differentiated rate structure is anticipating the number of customers that can be expected to select different options. The mix of customers will affect total revenue generated. For example, if significantly more customers than anticipated opt for the lower-priced curbside service, overall revenue would likely fall short of estimates. Conversely, if significantly more customers than anticipated opt for the higher-priced backdoor/top-of-drive service, revenue would likely exceed estimates.

In order to estimate likely service level selections, Staff reviewed the responses to the 2018 refuse survey. The survey asked residents about the likelihood that they would select curbside refuse service, for a reduced fee, if it were offered. The question was asked several different ways to determine potential price sensitivity and overall level of preference. Based on these results, it appears that, in the absence of extreme price-signaling, approximately 55% of customers would select curbside service. In light of these identified constraints and service options, Staff has developed several possible differentiated rate structures which are shown in the following tables:

Example 1 (55% of customers at curbside)

Service Level*	Monthly Cost	Est. Customers	Revenue	Percent of customers
1x/week curbside 35g	\$ 25.00	1200	\$ 30,000.00	30.00%
1x/week curbside 65g	\$ 36.00	1000	\$ 36,000.00	25.00%
1x/week back door	\$ 45.00	1520	\$ 68,400.00	38.00%
2x/week back door	\$ 100.00	280	\$ 28,000.00	7.00%
TOTALS		4000	\$ 162,400.00	100.00%
* Includes recycling and cleanup week			\$ 1,948,800.00	Annual Revenue

Example 2 (65% of customers curbside)

Service Level*	Monthly Cost	Est. Customers	Revenue	Percent of customers
1x/week curbside 35g	\$ 25.00	1400	\$ 35,000.00	35.00%
1x/week curbside 65g	\$ 36.00	1200	\$ 43,200.00	30.00%
1x/week back door	\$ 45.00	1280	\$ 57,600.00	32.00%
2x/week back door	\$ 100.00	120	\$ 12,000.00	3.00%
TOTALS		4000	\$ 147,800.00	100.00%
* Includes recycling and cleanup week			\$ 1,773,600.00	Annual Revenue

Does not meet revenue requirements

Example 3 (65% of customers curbside, higher backdoor price signal)

Service Level*	Monthly Cost	Est. Customers	Revenue	Percent of customers
1x/week curbside 35g	\$ 25.00	1400	\$ 35,000.00	35.00%
1x/week curbside 65g	\$ 36.00	1200	\$ 43,200.00	30.00%
1x/week back door	\$ 55.00	1280	\$ 70,400.00	32.00%
2x/week back door	\$ 100.00	120	\$ 12,000.00	3.00%
TOTALS		4000	\$ 160,600.00	100.00%
* Includes recycling and cleanup week			\$ 1,927,200.00	Annual Revenue

Example 4 (75% of customers curbside, higher backdoor price signal)

Service Level*	Monthly Cost	Est. Customers	Revenue	Percent of customers
1x/week curbside 35g	\$ 25.00	1400	\$ 35,000.00	35.00%
1x/week curbside 65g	\$ 36.00	1600	\$ 57,600.00	40.00%
1x/week back door	\$ 55.00	880	\$ 48,400.00	22.00%
2x/week back door	\$ 100.00	120	\$ 12,000.00	3.00%
TOTALS		4000	\$ 153,000.00	100.00%
* Includes recycling and cleanup week			\$ 1,836,000.00	Annual Revenue

Does not meet revenue requirements

As can be seen in these examples, some service selection mixes do not generate the required \$1,965,000 in revenue, as total revenue generated is sensitive to both the mix of services selected by the customers and the rates charged for selected services. Staff anticipates that modified PAYT service rates will range as follows:

Service Level	Monthly Cost
1x/week curbside (or alley) 35 gallon cart	\$22.00 - \$27.00
1x/week curbside (or alley) 65 gallon cart	\$33.00 - \$38.00
1x/week backdoor	\$45.00 - \$55.00
2x/week backdoor	\$100.00 - \$110.00

Note: Customers currently served from alleys would remain as alley service and be billed at curbside rates.

Additional Considerations

There are a number of additional considerations associated with offering a modified PAYT program with a curbside option. The most important consideration at this time is determining the level of price-signaling that is appropriate to encourage both waste reduction and curbside collection, while balancing a reasonable upcharge for back-door service and higher collection volumes. The more technical additional considerations, such as container design, container procurement and delivery, billing procedures, and program change communications & management, will be addressed by staff over the first several months of 2020 prior to program changes. Staff anticipates changes could be implemented in the 3rd Quarter of 2020.

Staff Recommendation

There are a number of potential advantages to providing a modified PAYT program with a curbside option:

- As recommended by the Village Environmental & Forestry Commission, it provides residents with a financial incentive to reduce the amount of refuse generated for disposal
- It provides residents with choices on the level of refuse collection service they wish to pay for and receive
- It sends a price signal pointing residents toward the curbside collection options. Sufficient penetration of curbside service will reduce staff time and equipment needs associated with refuse collection compared to back-door service
- Curbside container service reduces injury potential and service difficulties associated with back-door collection work

Staff proposes to prepare the Fiscal 2020 budget so as to allow transitioning to a modified PAYT program during the 3rd Quarter of the Fiscal Year, with a rate structure in keeping with the rates shown above.