

Coordinated Trash in St. Paul: The \$37 million Boondoggle¹

Money is not everything. It is not even the main event. But it is a way to measure whether a service or product meets the mark.

The new coordinated trash collection system in St. Paul will increase costs by about \$7.4 million per year. That's \$37 million over the 5 years of the contract. Please see the section at the end of this essay that details how this figure was calculated. It is all based on data from the Department of Public Works.

The subsidy to haulers under this five year contract is over \$60 million. That's their extra profit.

There is no excuse for this abuse of St. Paul property owners.

The current trash removal system in St Paul works fine. One can find out what haulers are serving your area, call them up to figure out who has the best deal, sign up, and pay automatically with a bank account or credit card. The trash goes out, the trash disappears.

Coordinated trash removal has some merit.

When done properly, efficiency rises, haulers make good money, and rates to consumers fall. Unfortunately, this does not describe the St Paul plan. Prices should have gone down, by as much as 30 - 50%. Instead they went up by over 30%.

¹ Analysis by John Genereux completed in August of 2018 before the City's new trash plan was put into effect. Mr. Genereux has worked as a consultant hired to provide social and economic research to governmental entities. As stated in the article, he relied on financial data obtained from the Public Works department. No one from the City has refuted this analysis which was sent to numerous city officials, including the Mayor.

So what should have a proper organized collection system cost? If one goes one city east, to Maplewood, the answer is clear. Their rates, for an organized system, were less than half those planned by St. Paul. Less than half. True, they did not include large items. But they allowed sharing between neighbors. The average rate in St. Paul is \$30 per month. For Maplewood, same size can, \$12.50. You do the math.

The bottom line is that Maplewood residents pay half what St. Paul will pay. Half.

The accompanying bar chart shows what the current system costs consumers, what the new one does, and what a properly developed system should cost.

What happened to cause such a mess?

The haulers prepared for the negotiation by first hammering against the idea with newspaper ads. The haulers, especially the big companies, knew the staff was desperate to get an organized collection system. The haulers knew the City Council would not allow an open bid. The City negotiated from a position of weakness, and got rolled.

Public Works held a lot of public meetings, but there were no financial details of the plan discussed. The idea, for example, that the haulers would demand no sharing of carts never came up. The probable price range never came up. When the public is not provided with pertinent information at a meeting, we in the consulting business refer to this process as "Treating Them Like Mushrooms." Which means you keep them in the dark and feed them horse manure.

That's bad enough. What is worse is that there is no evidence that City staff actually did their homework. They were too busy selling the idea. When you do not have detailed information on how the current system operates, or how comparative organized collection systems work, how can you set a firm bargaining position? How do you get the backing of the City Council on when to pull the plug on negotiation and go to open bid? How do you play divide and conquer, when the big trash companies hire high priced lawyers and the small haulers stay silent?

So now a small group of us troublemakers are taking this on, trying to fight City Hall, trying to reverse the ordinances that will prohibit sharing, that will compel every housing unit to have a service. The higher prices will remain, but at least we can opt out or share carts.

Full disclosure: in addition to being a social and economic research consultant (mostly retired), I am also a landlord. This new system will almost triple my costs. Triple.

One last thing: If the haulers got these great contracts, what will they do to keep them, when they come up for renewal in 5 years? Will they approach Council members, offer to make big contributions to their campaigns? Wouldn't you? I certainly would. So the City has just introduced a strong incentive to corruption into our elections.

So help us out here. Help yourself. Sign the petition to reverse the ordinances. And then vote Yes on the referendum next year. Send a message. Give the City staff the right backing to negotiate hard on your behalf, now and in the future.

Let's get the Coordinated Collection system we deserve, not the one being shoved down our throats.

Addendum: Calculation of Costs

A. Cost of Existing System

The current system has about 67,000 paying customers, at an average cost of \$24.60 per month, or \$295 per year. The cost for the 1-4 unit property owners in the whole City is thus 67,000 x \$295, or about \$20,000,000.

B. Increase Cost Compared to Existing System

The increased costs are in three separate categories, so bear with me. As stated above, all these calculations are based upon data provided by the Department of Public Works.

First, the cost of the carts went up by an average of about \$56 a household per year, based on the less than 250 actual invoices. The median cost of a small cart was \$22; a medium cart \$27; a large cart \$27 also. The new rates are \$25, \$30, and \$35.

Currently, about 72% of carts are medium or large, 28% small. If we assume that property owners have chosen (or will be assigned) equal amounts of each size, that means each household will pay an average of \$4.60 per month, or \$56 per year extra.

For the 67,000 or so households which had service, this is an increase of about \$3.8 million.

Next, those who didn't have a separate service will now be required to have one, and be charged for it. There were 9300 households which

did not have service from any of the group of haulers in the consortium. I estimate that 6000 either had no service (zero wasters or people taking their trash to a transfer station) or had shared service with a neighbor. Some others (my guess is 3000) may have contracted with a hauler not in the Consortium.

Assuming all 6000 choose weekly small can service, they will now pay about \$300 per year, or about \$1.8 million.

Finally, the City will now charge each housing unit a fee for managing organized collection, which amounts to about \$1.8 million per year.

Total extra price tag: \$7.4 million, per year, or \$37 million over the five years.

C. Costs of a “Modified Maplewood” Approach

Maplewood is similar, since it is in the same labor market, and has similar tipping fees for haulers. It may have a slight advantage, being closer to the RDF facility in Newport, or the landfill. But the difference is minor.

It has only one hauler. The hauler contract requires them to do customer service, with only occasional calls coming to the city. The hauler collects a fee of \$3 per year to cover the cost of the carts.

The costs for Maplewood, based on their web site, is a monthly charge of \$7 for a 20 gallon cart, \$11 for a 32 gallon cart, \$12.50 for a 65 gallon cart, and \$14 for a 95 gallon cart.

If we apply the Maplewood costs to St. Paul, using the 65 gallon cart price of \$12.50, and if we add \$2 to the monthly bill to compensate for the large items and Christmas tree removal, the total typical monthly bill for St. Paul homes would be \$14.50 a month, or \$174 a year.

Since Maplewood allows sharing, St Paul as a whole would have 67,000 homes receiving a bill, just like now. The cost of 67,000 carts at \$174 a year is a bit less than \$12,000,000. After adding the \$2,000,000 city fee, the total cost is about \$14,000,000.

The cost of the current St. Paul plan is almost exactly double:
 $\$360/\text{year} \times 73,000 \text{ housing units} = \$26,280,000 + \$1,800,000 \text{ (city fee)} = \$28,200,000.$

D. Excess Hauler Profits

The true annual value of the future trash service for St. Paul is what the Modified Maplewood Model states: \$14,000,000. But they will be receiving \$26,280,000. So their excess profit is going to be about \$12,000,000 a year, or \$60,000,000 over the five years.

See the bar chart comparing the current system, the City plan, and the Maplewood Model.

[Link to BarChart of Collection Costs](#)