

# HOPEWELL TOWNSHIP FINANCE ADVISORY COMMITTEE

## Recommendation to Hopewell Township Committee Regarding The Collection of Waste/Trash

### Introduction

In 2012, Hopewell Township commissioned the Center for Governmental Research Inc. (CGR) to perform a critical review of all existing Township operations and, where appropriate, to make potential recommendations with the goal of improving or enhancing efficiency. The comprehensive study titled, Strategic Review of Efficiency Opportunities in Administration and Service Delivery, was completed in June 2013. Since completion, the study has been widely distributed and is readily available on the Hopewell Township website.

As members of the Township Committee know from reading the CGR report, the Township received a favorable assessment, "CGR found the Township to be a well-run, efficient operation providing responsive services with sensitivity to optimizing public resources." <sup>1</sup> Clearly, this is a positive outcome. However, again quoting the report, "identified.....potential adjustments that may offer efficiency benefits that reinforce the Township's standing as an already-good steward of public resources." <sup>1</sup> One of these potential adjustments identified was refuse collection: "A municipal contract for refuse collection via private vendor has the potential to yield substantial savings to property owners."

### Conclusion

Consequently, the first official task of the Finance Advisory Committee (FAC), newly established during the first half of 2013, was to explore the topic of whether alternative methods of trash collection would generate savings to township residents. The unanimous recommendation of the FAC was that township residents would continue to be best served under the current arrangement where trash collection can be contracted for individually, at a price and frequency tailored to resident's requirements. A major factor in reaching this conclusion was the sheer complexity of developing a 'common solution' for the wide range of property owner needs and preferences, both residential and commercial, that exist within Hopewell Township. We hope the following summary of the discussion of the issues and/or obstacles the FAC considered in the course of reaching this conclusion, over several meetings, will be helpful in supporting our recommendation.

### Discussion

There are essentially two options the Township could consider as alternatives to the present system of individual residents contracting for trash collection:

- Option 1: Periodic trash collection would be performed by the Township, requiring the Township to utilize township personnel/employees and to purchase or lease new trash-hauling equipment.
- Option 2: A private contractor would be selected by the Township to provide periodic trash collection to residents.

Keep in mind, as noted in the CGR report, the Township does provide periodic bulky brush and leaf pickup on a predetermined schedule or following major weather events. In addition, Township residents do receive recycling services through an inter-local agreement with the Mercer County Improvement Authority. This discussion focuses only on trash collection.

### Option 1

In the opinion of the FAC, this option was clearly the easiest to eliminate. This becomes apparent when the infrastructure necessary to implement this option are considered. The primary infrastructure components would include:

- The Township does not currently own the equipment needed to pursue this option. New trash-hauling trucks would have to be purchased/leased requiring a large upfront investment by the Township.
- The Township's current public works staff is not sufficient to undertake regular trash-hauling duties. New staff would need to be hired to meet this demand. Based on conversations with Townships that do self-collect trash, this staffing would be expected to exceed standard crew requirements due to increased absence frequency. In addition, FAC members believe that oversight of trash collection would require a minimum of one additional management individual to supervise this operation.
- The CGR report identified 11 'benchmark communities' <sup>2</sup> (including Hopewell Township) in New Jersey using a match score technique that incorporated population density and net taxable valuation for each community. Within that 11 community sample, the Township already has the second highest total public works budget and fourth highest on a per capita basis.
- An unknown expense associated with trash collection is the cost of trash disposal, otherwise referred to as landfill and tipping fees. Based on conversations with other nearby townships who provide trash collection, these fees have been consistently rising and are nearly impossible to forecast.
- According to the CGR report <sup>3</sup>, a \$450,000 increase in the municipal tax levy represents about \$.01 change in the municipal tax rate and about 2% of the Township's annual budget. New Jersey law limits the annual increase in the total municipal tax levy to 2%. Clearly, the total cost of the Township undertaking township-wide trash collection, would exceed this statutory limit, especially in the first year.

Even the CGR report concedes the following:

"...while it may be less expensive to provide the service in-house relative to an outsourced contract after the initial investment, *the upfront costs typically mitigate the savings.*" <sup>4</sup> The report also references several 'hidden' costs that should be considered but are difficult to budget including reserves for replacement vehicles, costs to build in redundancy for broken-down equipment, extra manpower to cover vacation/sick absences, dispatching and route planning and addressing resident complaints.

The FAC believes these facts speak for themselves and support the Committee's recommendation.

<sup>1</sup> Strategic Review of Efficiency Opportunities in Administration and Service Delivery, Hopewell Township, New Jersey, June 2013; Center for Governmental Research Inc. (CGR), page ii

<sup>2</sup> Ibid, page 17

<sup>3</sup> Ibid, page 9

<sup>4</sup> Ibid, page 51

## Option 2

Rendering a recommendation with respect to Option 2, having the Township contract with a private vendor to collect trash for residents, poses a completely different maze of factors to evaluate than the first option, but at the end of the Committee's discussion, the recommendation emerged with no less conviction. The primary factors considered are summarized below.

### Favorable:

- Outsourcing the trash collection to a private contractor eliminates the financial hurdles associated with Option 1 including:
  - Upfront investment in trash-collecting equipment
  - Need to hire new public works staff dedicated to trash collection
  - Budgeting 'hidden' costs identified in Option 1 description
- Assuming the Township could satisfy themselves that contracting with a private vendor could yield savings to Township taxpayers, the cost to the Township would be incorporated into the local tax structure through an increase in the municipal tax levy. For most residents, these taxes are deductible from their personal federal income taxes.

### Unfavorable:

- Based on a random sampling of local townships, including Princeton and Ewing Township, the cost of providing this service would certainly exceed the 2% maximum annual tax levy increase. Unless, costs could be substantially reduced elsewhere within the Township's budget, the cost of trash-collection would exceed the ability of the Township to fund the service in a financially prudent manner.
- All costs for municipal services to Township residents are included in the Township budget, and funded through the municipal tax levy which is based on the assessed value of a resident's property. A property with a higher assessed value would pay a higher rate for trash collection than a property with a lower assessed value. That simple formula will most certainly not correspond to needs of each resident. More than likely, many residents would object, with some justification, that such a simple formula was unfair.
- Hopewell Township covers nearly 60 square miles with about 150 miles of local roads. Taxpayers include a wide range of private residents (6300 households) and corporate taxpayers. Under the current trash collection system, those taxpayers are each able to determine a level of service and associated cost tailored to their needs. This highly desired advantage would be lost if the Township contracted with an outside vendor.
- While it is not certain whether outsourcing trash collection for the Township would require an increase in staff to the Public Works department, it clearly would require a segregated management effort, in addition to current Township management capacity, to oversee this service. This would be a significant addition to the Township budget. Presumably, this staff would also manage the flow of resident complaints and requests. Nearby townships who currently provide this service emphasize that this component is not to be underestimated.
- The Township, which includes a full range of rural to densely populated areas, combined with the scope of trash-collection needs and preferences that presently exist for Township taxpayers, would be exceedingly difficult to incorporate with any accuracy into a formal Request For Proposal (RFP). The Township would need to employ a consultant to develop a comprehensive RFP in order to maintain the best practice of competitive bidding on behalf of Township residents. Just the cost of commissioning this

RFP, distributing it to qualified vendors and assessing the responses would be a significant upfront expense for the Township, obviously not included in the current budget.

- Hopewell Township is currently served by at least 3 independent trash-collection contractors (1 of the 3 serves Titusville only) available to Township residents. This competition helps to insure that residents can obtain a service that is tailored to their needs at a competitive price. Further, there has not been a high incidence of residents' feedback suggesting that trash collection is a service that the Township should provide.

For these reasons, the FAC unanimously recommends that Hopewell Township maintain the current system of trash collection within the Township. We recognize this may appear to be contrary to the CGR report. However, the focus of the FAC is to assess such questions primarily from the perspective of the taxpayer. Residents do not appear to be dissatisfied with trash collection services available to them. The current system offers maximum flexibility and customization. Any alternative implemented and managed by the Township would add materially to the Township budget resulting in an increase in the municipal levy. The FAC is opposed to increasing the tax levy to residents for this purpose.