

## EXECUTIVE SUMMARY

The operating budgets for Municipal Utilities and Public Works Departments throughout the United States have experienced significant and ongoing stress for at least the past decade due to a combination of a number of common and identifiable factors. Some of those factors include the expansion of services without accurate fiscal consideration, the increase in the cost for needed equipment upgrades, the implementation of new and efficient computer technologies, retainage of personnel and additional environmental regulation. The operating budgets across each of the Divisions of the Valparaiso City Services (VCS) have also been under stress for several of these same reasons.

In the existing situation of the VCS Public Works Division's refuse/garbage and recycling collection operations, the main causes for current budgetary pressures includes the continued growth of the City of Valparaiso (City), ongoing capital outlays in order to keep pace with the physical expansion of the corporate limits of the community and the yearly increases in the overall cost of doing business. A few examples of the specific factors negatively impacting these operations include the incremental rising of landfill disposal costs incurred by the City since 2014, the doubling of recycling costs over time with a very small opportunity for recycling credits since 2018 and the current refuse/garbage collection fee not being increased since 2012 while continuing to provide free community-wide recycling services in addition to other accommodations that are becoming increasingly cost prohibitive.

Due to these facts, the City Administration concluded the need to pursue a goal of reviewing and determining refuse/garbage collection and/or recycling user fees that are reasonable for the community in order to sustain the solid waste collection and disposal services provided by the VCS Public Works Division. To achieve the City Administration's specified goal, a VCS Public Works Division Trash and Recycling Committee was established for the expressed purpose of calculating a new refuse/garbage collection fee that was reasonable and competitive on behalf of our community by defining sustainable environmentally sound solutions and determining best practices for solid waste disposal and recycling management. The Committee included representatives from Valparaiso City Services, City Administration, the City of Valparaiso's Common Council and the Porter County Recycling and Waste Reduction Department.

After a lengthy review of the various aspects of the Division's refuse/garbage and recycling operations by utilizing specific strategies, the Committee concluded that even though the City of Valparaiso currently provides a high level of service to the community's residents and customers, there is still room for improvement in the Division's overall refuse/garbage and recycling operations. Based upon the Committee's review, the Committee is proposing the following recommendations to achieve the City Administration's specified goal:

1. Increasing the City of Valparaiso's residential customer solid waste collection and disposal rate from the current flat rate of \$12.00/month to \$19.50/month starting sometime in 2022. This would provide a 62% increase over existing revenues for the Division and properly fund current operations.
2. Implementation of efficiency improvements to the Division's current operations.
3. Revision of Chapter 53: Refuse and Recycling within the City of Valparaiso's *Code of Ordinances* in order to reflect current conditions since it was last amended in 2012.

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## INTRODUCTION

Effectively managing municipal materials and solid wastes requires a highly efficient system of interconnected infrastructure and personnel. Deciding upon the most strategic approaches for these purposes requires thoughtful planning. This includes a combination of a periodic reevaluation of current customer user fees, operational improvements, environmental considerations and regulatory review.

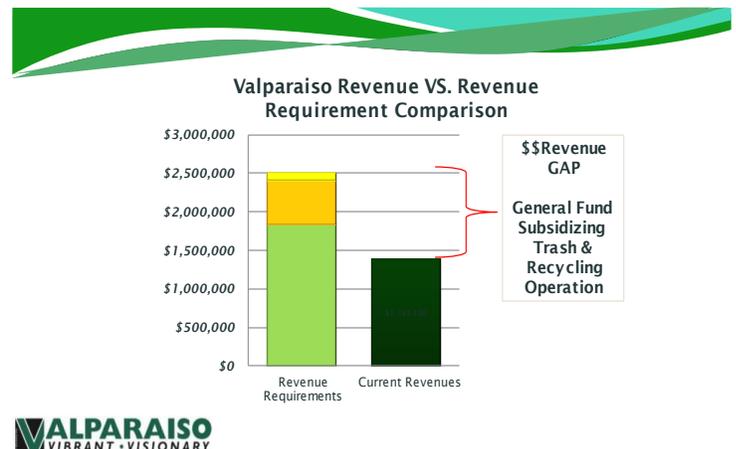
The VCS Public Works Division Trash and Recycling Committee utilized the following strategies in order to achieve the City's goal of reviewing and determining refuse/garbage collection and/or recycling user fees that are reasonable for the community in order to sustain the solid waste collection and disposal services provided by the Public Works Division:

1. Conducted a financial analysis to determine the "true" cost of providing refuse/garbage and recycling services to the City of Valparaiso. This included a review of the Public Works Division's operational cash disbursements by Baker Tilly, LLP.<sup>(1)</sup>
2. Discussions and/or interviews with neighboring communities regarding their refuse/garbage and recycling decisions.
3. An evaluation of privatization.
4. Internal operational audit of the refuse/garbage and recycling operations of the Public Works Division by Strategic1 Business Services, LLC.<sup>(2)</sup>
5. A review of the City of Valparaiso's current trash and recycling ordinance regulations including Chapter 53: Refuse and Recycling within the City's *Code of Ordinances*.<sup>(3)</sup>

The Committee met on three (3) separate occasions from December, 2021 through February, 2022 to review the progress and the results of the above strategies.<sup>(4)</sup> An examination of the results of those strategies are as follows:

## FINANACIAL ANALYSIS

The previous City of Valparaiso Administration had approximately \$300,000 available per year in County Economic Development Income Tax or CEDIT funds for road paving projects within the City. Based on the needs of the community, it was then determined that more capital dollars would be required to fund road and sidewalk restoration. In 2012, the City evaluated the cost of providing refuse/garbage and recycling services community-wide and developed a refuse/garbage and recycling fee schedule to offset these service costs from the City's General Fund. This fee schedule and offset has been the same since being approved in 2012 and currently generates approximately \$1.3 million dollars per year.

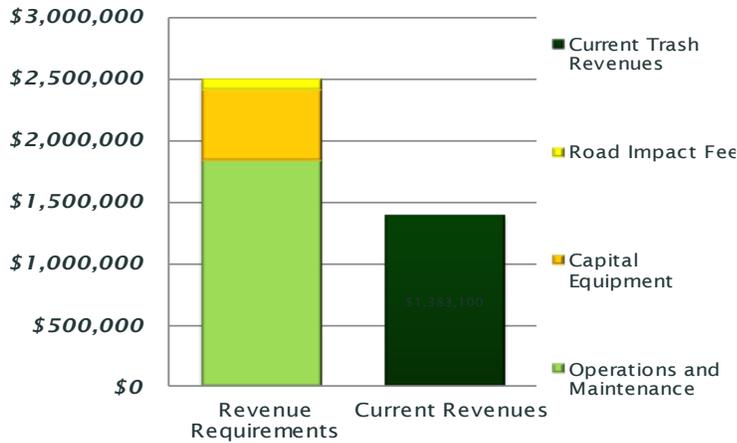


Baker Tilly, LLP was contracted to evaluate current versus required cash disbursements to sustain the day-to-day refuse/garbage collection operations for the community. Additionally, the estimated capital requirement replacement schedule was provided as part of this analysis. The analysis determined a revenue gap of \$1.2 million dollars per year thus the City's General Fund is currently subsidizing the trash and recycling operations. This revenue gap is shown in the graph above.

To offset this revenue gap and to eliminate the City’s general fund from subsidizing the trash and recycling operations, the impact to the residential customers would be an increase in the current flat rate from \$12.00 per month to \$21.70 per month. This is an increase of \$9.70 per month or a revenue requirement change of 81%.



Revenue / Revenue Requirement Comparison



**Total Revenue Requirement Change – 81%**

- Refuse/Garbage Collection Bill Impact - \$9.70 per month
- Proposed Refuse/Garbage Collection Bill - \$21.70



### INDIANA COMMUNITIES RATE COMPARISON

The Committee surveyed all the neighboring communities in Northwest Indiana along with other communities within Indiana to determine the following:

1. Do these communities manage their own trash and recycling or is it privatized?
2. How often do they collect recycling within their community?
3. What are their current fees and when were they established?

Based on the information that was provided, all of these communities have privatized their operations with an independent service (Republic Services, Able, etc.). Only one (1) other community (City of Portage) provides “in-house” services similar to those in the City of Valparaiso. Additionally, 14 out of the 17 or 82% communities provide recycling services every other week versus every week.

NEIGHBORING & OTHER COMMUNITIES				
	In-House Operation	Private Service	Do they Recycle?	How often is Recycling Done?
Chesterton		x	Y	Every other week
Portage	x		Y	Every week
Crown Point		x	Y	Every week
Highland		x	Y	Every other week
Merrillville		x	Y	Every other week
Scherville		x	Y	Every other week
Gary		x	Y	Every other week
Munster		x	Y	Every other week
Valparaiso	x	x	Y	Every Week
Elkhart		x	Y**	Every week
South Bend		x	Y	Every other week
Goshen		x	\$6*	Every other week
Warsaw		x	Y	Every other week
Evansville		x	Y	Every other week
Walkerton		x	Y	Every other week
Ft. Wayne		x	Y	Every other week
Mishawaka		x	Y	Every week

\*Recycling is optional at additional cost through private hauler  
\*\*No cost; paid by taxes

The table below illustrates the trash and recycling fees associated with every community compared to the City of Valparaiso's current fee (red column). Please note that the City of Elkhart is not a fee service-based operation and subsidizes 100% of their trash and recycling operations through their general fund.



Monthly Trash & Recycling Rate Comparison  
Neighboring Communities



## PRIVATIZATION

The City of Valparaiso solicited a high-level quotation from an independent contractor to provide trash and recycling services to the City. At that time, the quote was \$19.42 per month to a residential user as of April of 2021.

High Level Analysis  
Completed in April of 2021  
by Major Privatizer

Estimated Residential Fee to  
Provide Trash and Recycling  
Services to Valparaiso:

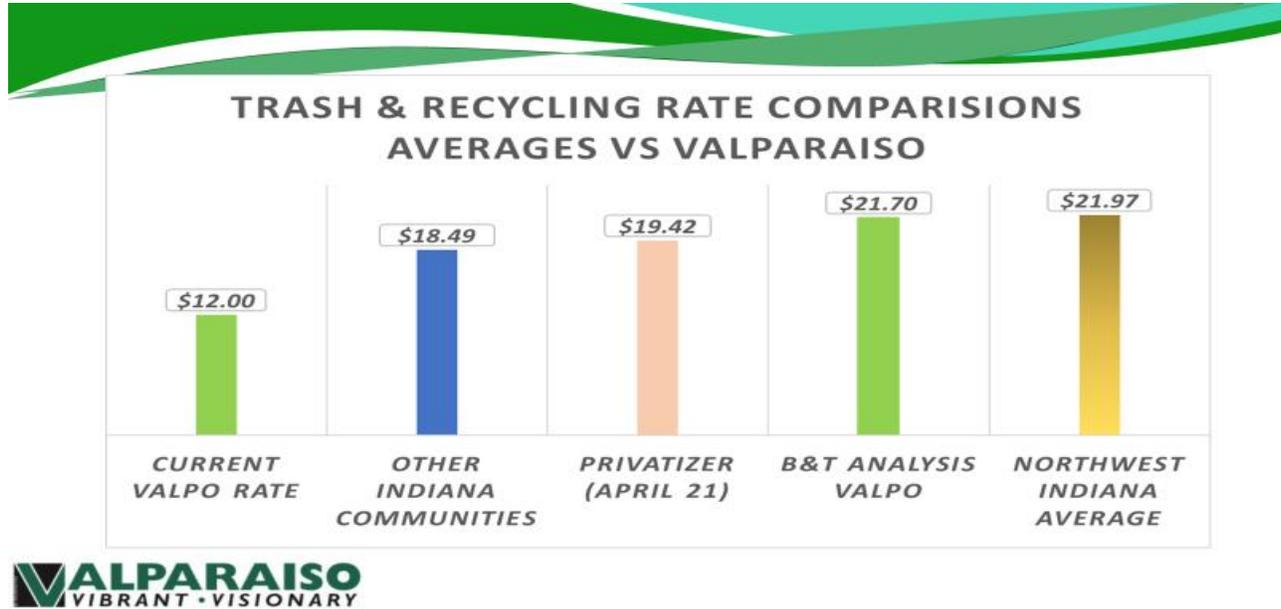
**\$19.42 Per Month**

Once this information was received there was a discussion regarding the advantages and disadvantages of privatizing the operation. The committee determined the following:

1. The City should control their own level of service.
2. Only the City can control the impacts to waste reduction and recycling goals.
3. Privatization may negatively impact employment within the Public Works Division and reduce workforce flexibility.
4. Community pride and public perception may be negatively impacted.
5. Organizational values would change.
6. The ability of the Public Works Division to respond to technological, regulatory and socio-economic changes would be altered.



Based on the budget as proposed by the privatizer, the Committee compared the City’s current flat rate versus the other Indiana communities, the financial analysis by Baker Tilly, LLP of the current budgetary needs of the Public Works Division and communities located in Northwest Indiana. This comparison is shown in the following graph:



### INTERNAL OPERATIONS AUDIT

As with any soundly managed business organization, the VCS will utilize the resources available to them to assure efficient operations without compromising customer service and the safety of our employees. Increasing rates to the public is a sensitive subject and should be thoughtfully built in a manner that is informative but also responsible to our stakeholders.

The VCS took the opportunity to hire a solid waste and recycling specialist that would provide an internal audit of the trash and recycling operations of the City of Valparaiso. This audit reviewed the Public Works Division’s Solid Waste Department (SWD) staffing levels, use of equipment and capital investment. This independent review provided an overall assessment of the SWD, identified opportunities for improved efficiency and effectiveness in SWD operations and prioritizes the top efficiency improvement and cost savings opportunities for SWD’s consideration. The work was prepared by Strategic1 Business Services at the direction and with the cooperation of the City’s Public Works Division.

Opportunities for the VCS to reduce its costs in future years were identified. The primary findings and the “potential” cost impact are provided below. Total savings may change, depending on which combination or portion of the initiatives are selected. Additionally, estimated savings will erode year over year due to the increases in fuel, labor and capital costs.

PRIMARY FINDINGS	ESTIMATED COST SAVINGS
Switch to every other week recycling	\$230,000
Eliminate free recycling to businesses	\$50,000
Eliminate servicing carts in alleyways (avoid redundancy)	\$120,000

## REFUSE AND RECYLCING ORDINANCE REVIEW

Chapter 53: Refuse and Recycling within the City of Valparaiso's *Code of Ordinances* provides the legal authority for the Public Works Division's solid waste and recycling operations in the City through a series of rules and regulations. This ordinance addresses, but is not limited to, a few of the following items:

1. Setting refuse/garbage collection fees.
2. Providing weekly curbside collection of all residential refuse, recyclables and yard waste within the corporate limits of the City of Valparaiso.
3. Placing rollout containers curbside for collection.
4. Recycling collection and containers.
5. Yard waste collection.
6. Placing all refuse and recyclables in containers supplied by the City of Valparaiso.
7. Penalties for violations of any provision of Chapter 53.

Suggested changes by the Committee to the current ordinance include, but are not limited to, the following:

1. Requiring all premises, both business and residential to subscribe to a collection service.
2. Changing every week recycling collection to every-other-week.
3. Eliminating recycling for businesses.
4. Providing service for multi-units that are four (4) or less.
5. Eliminating service for private roads unless waiver of liability is provided and alleyway collection where feasible.
6. Define bulk items and how they will be charged and collected.
7. Limiting yard waste collection to reflect the following:
  - Brush cut in four (4) foot lengths, tied and bundled with branch diameter less than three (3) inches.
  - No loose piles.
8. Fees for additional trips along with amending the current rates and charges

## CONCLUSIONS

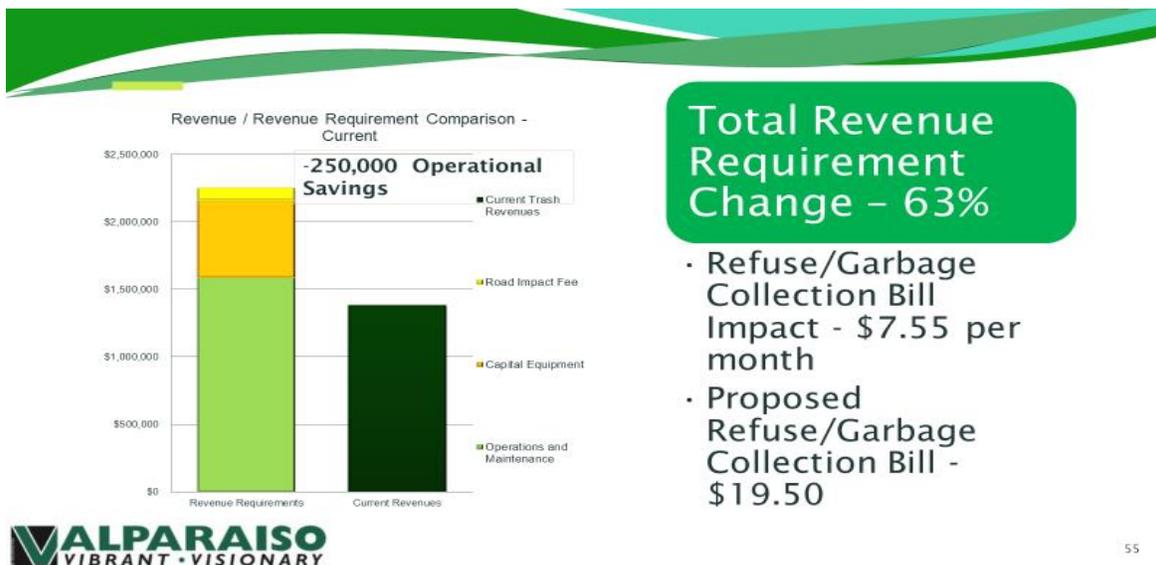
The VCS Public Works Division Trash and Recycling Committee met on three (3) separate occasions to study the presented information and provide a consensus moving forward for the community in achieving the City Administration's specified goal. The main takeaways from the Committee's work included the following:

1. The City of Valparaiso provides a high level of service to community's customers and is competitive in rates versus neighboring communities and the private market. This would include a proposed rate increase.
2. At this time, privatization is not the right choice for our community as it would negatively affect work force flexibility, employment and in controlling costs.
3. There is a need for a more robust Recycling Education Plan regardless of the recycling market conditions.
4. Per the internal audit, implement operational changes and look towards continuous improvement for operational costs savings in the future.
5. Modify the City of Valparaiso's current refuse and recycling ordinance to reflect operational changes that result in clearer rules, regulations and eliminate unnecessary operational costs.
6. An increase in rates is warranted based upon the Committee's findings.

## FINAL RECOMMENATIONS

The initial charge of the committee was to recommend a new refuse and recycling fee that is reasonable for the community in order to sustain the solid waste collection and disposal activities and services provided by the VCS Public Works Division. After the Committee's strategic review of this matter, the Committee is recommending the following actions:

1. An increase of the residential customer solid waste collection and disposal rate from a flat rate of \$12.00/month to \$19.50/month which accounts for an estimated savings of \$250,000 in operational costs as shown below. In addition, this rate increase is about at the midpoint of the current rates of Indiana communities examined by the Committee.



2. Institute major operational recommendations presented by Strategic1 Business Services, LLC which includes switching to every other week for recycling collection services, eliminating recycling services to businesses, eliminating servicing carts in alleys and changing rear load refuse and recycling routes to automated routes.
3. Revise Chapter 53: Refuse and Recycling within the City of Valparaiso's *Code of Ordinances*.

## REFERENCES

1. *Valparaiso Solid Waste and Recycling Financial Analysis*, Baker Tilly, LLP, 2021.
2. *City of Valparaiso Solid Waste Department Collection Efficiency Review*, Strategic1 Business Services, LLC, November, 18, 2021.
3. Chapter 53: Refuse and Recycling within the City of Valparaiso's *Code of Ordinances*, as last amended in 2012.
4. *Agendas/Presentations*, Valparaiso City Utilities, Public Works Division, Trash and Recycling Committee, meeting dates on December 17, 2021, February 7, 2022 and February 28, 2022.

### Valparaiso City Services Public Works Division Trash and Recycling Committee



Pictured Left to Right: Keri Baron Director of Porter County Recycling & Waste Reduction; Alina Hahn Chief Financial Officer Valparaiso City Services, Brent Dickson Assistant Public Works Director; Councilman Kasey Schmidt; Councilman George Douglass; City Administrator Mike Jessen, Brian Dishman Public Works Operations Supervisor; Nate McGinley Utilities Project Management Director; Steve Poulos Executive Director Valparaiso City Services.