

MEMORANDUM

TO: Board of Commissioners
FROM: Sarah Reeves, Executive Director
Josh Tyler, Director of Operations
DATE: February 27, 2023
RE: CSWD FY24 DOC Overview and Pricing Options

Historical Background

The Drop-Off Center (DOCs) operation has been a function of CSWD since the District's inception. The system of six locations provides convenient and cost-effective solid waste management service to Chittenden County residents and small businesses and provides some services that curbside haulers can't or won't provide. The current six DOCs are strategically located across Chittenden County: Williston in the geographic center, Milton in the north, Hinesburg in the southeast, and South Burlington, Burlington, and Essex in the densest population centers. The 2019 CSWD Household Survey showed that 23% of Chittenden County uses the DOCs as their primary option for solid waste management, and that 83% use the DOCs to manage some part of their waste, either all of it or as an outlet for special materials not collected by their curbside hauler.

The philosophy of the Board of Commissioners and CSWD staff has long been to provide convenient, cost-effective solid waste management services in such a way as to not directly compete with curbside haulers. This has been accomplished in part by focusing on providing low- to no-fee service for a myriad of materials that are cumbersome or dangerous to manage, or that require specific segregation. These special materials (called "Special Waste" or "Special Recycling") have been subsidized by the District as a matter of practice through Board approved annual budgets. This practice is somewhat in conflict with the CSWD Charter, which says that "the generators of waste should pay disposal costs that reflect the real costs to society of waste management and disposal,..." and that "Once the District has a disposal facility, it will rely primarily on tipping fees for revenues,...". This has generally been interpreted to mean that if the District constructed a landfill, it would set the landfill tip fees in such a way as to not require an assessment from each member city and town. It has also been interpreted to mean that District waste management facilities should charge fees necessary to satisfy their operation and capital needs.

As the DOCs Accepted Materials list has grown over the decades, costs have risen accordingly. The DOC system has evolved beyond where fees charged for bagged trash are sufficient to cover all costs of managing all materials. The DOC budget has required a general District subsidy for years, the extent of which has only been made clear since 2017. Prior to then, some expenses that should have been assigned to the DOC system were assigned to a "Special Waste" budget, which was accounted for separately from the DOC budget and was fully subsidized, masking the true cost of the DOCs. In 2017, we recombined special waste costs back into the overall DOC budget. In light of this, the Board of Commissioners and District staff evaluated the Drop Off Center (DOC) program in June of 2018 at a day-long retreat. The structure of the DOC program was reviewed, and the following direction was provided to staff:

- Maintain the system as it exists regarding facility locations and acceptance criteria.
- Look at expansion only where our community wants and needs facilities.

- Safety is a top priority at all locations.
- Identify where we are losing money, specifically whether pricing is in line with costs.
- Determine an estimate of capital expenditures required for long-term infrastructure investment.
- Consider customer convenience when making decisions.

2018 - Present

Over the last five years many significant events have taken place: the 2018 global recycling market crisis, the COVID-19 global pandemic, the 2021 Town of Richmond selectboard decision to end CSWD's management of the DOC in Richmond, and most recently two years of significant economic inflation. These events generated interesting data regarding operational changes at the DOCs, created new economic pressures on the program, and pushed staff to be innovative and resourceful as we continue to provide service to approximately 350,000 annual customer trips.

DOC average Daily trips	
January 2013 to February 2023	
Monday	675
Tuesday	869
Wednesday	567
Thursday	900
Friday	961
Saturday	2,630
total annual estimation	343,304

The most significant impact was the COVID-19 pandemic. In late March 2020, we experienced a potential exposure at three of our DOCs simultaneously, leading us to close all DOC locations immediately. The DOC at Williston re-opened within two days under restricted material acceptance criteria and a streamlined pricing structure to limit customer contact and optimize throughput. As more information and guidance became available the District slowly and deliberately reopened each DOC site. The last site to reopen was in Burlington, where it was determined that this site could not meet District safety expectations and provide the historic material acceptance at the same time. We reopened that site as an organics-only drop off, which continues to this day. Over the summer of 2021 the Town of Richmond opted to not renew the District DOC lease and instead bid out the service contract, resulting in the Town awarding the contract to Casella. December 2021, CSWD decommissioned the DOC in Richmond after twenty-seven years of service.

DOC Capital Projects

CSWD has talked with the Town of Milton regarding expanding the Milton facility footprint and adding additional service days. The northern part of Chittenden County is experiencing growth and population shift, and the Town has long requested additional service. Milton is willing to provide additional property to facilitate an expansion and has indicated willingness to agree to a longer-term initial lease to allow CSWD to adequately depreciate some of the assets at the facility. We have also engaged with the City of Burlington to expand the footprint at the Pine Street location (preferred) or to construct at Flynn Avenue, to increase the Burlington level of service back to at least accepting trash, recycling, organics, and leaf and yard waste, and to expand the number of operating days. Fiscal year 2024 anticipates construction at both Burlington and Milton in the second and fourth quarters, respectively. CSWD needs to address how the DOCs will contribute to the capital reserve, given that for over a decade capital needs have been funded by excess revenue from the Materials Recycling Facility.

- Burlington reconstruction tentatively slated for FY24, Q1 and Q2
- Milton build-out: FY24, Q4
- Williston updates: Permitting FY25, Build in FY26
- Essex updates: FY28.
- South Burlington updates: FY30
- Hinesburg updates: FY32

Long-Term Vision

The goal of CSWD management and staff is to continue to provide excellent local drop-off service in an efficient, effective, environmentally sound, and economical manner and to do so safely and conveniently for both CSWD employees and our customers. Balancing the components of this goal means having a long-term vision for the DOCs.

Staff envisions a tiered service-level approach, designed to maximize efficiency, cost-effectiveness, and customer convenience and safety. The fullest level of service would be at Williston, Essex, and Milton. These sites have several advantages which formed the rationale for implementing “Tier 1” service:

Williston	Essex	Milton
CSWD owns the site	Very long queuing space	Room to expand
Largest footprint, room to expand	Permanent structures in place, in good condition	Town supports expansion, long-term lease
Very long queuing space	Near county population center	Growing population
Accepts trailers	Room to accept trailers	Accepts trailers
Central county location		
Scale access for heavy loads		

These three DOCs would accept all materials, representing an increase in service at Essex and Milton. They would be the “anchor” facilities and would be prioritized when considering closures (meaning, these three would remain open when possible if other facilities need to close). South Burlington and Hinesburg would manage the next tier of materials, with Burlington accepting a third tier.

Tier 1	Tier 2	Tier 3
All Materials on DOC Accepted Materials List	Trash, Recycling, Organics, Leaf & Yard, Scrap Metal, Special Materials, Bulky Waste, Small Tires	Trash, Recycling, Organics, Leaf & Yard, Scrap Metal, Special Materials
<i>Williston, Essex, Milton</i>	<i>South Burlington</i>	<i>Burlington, Hinesburg</i>

Site size constraints, queuing safety concerns, and permit limitations are the factors restricting providing Tier 1 service at South Burlington, Hinesburg, and Burlington. Essex and Milton would be built out in order to accept the full suite of materials.

DOC Operating Days

District staff have evaluated the importance of consistency throughout the DOC system, regarding communicating our services to the public, how we manage materials through our sites, and how we can accomplish tasks efficiently. We are proposing shifting operating days to a Tuesday through Saturday schedule (except for Hinesburg, whose days of operation are limited by permit to one day per week only). Currently, DOCs are open on a staggered schedule Monday through Saturday, with Williston open all six days and the remaining DOCs open from one to five days. This operating shift:

- Allows our roll-off team to service all sites on Monday while sites are free of customers, increasing efficiency.
- Allows our maintenance team to perform necessary service needs on Mondays while the facilities are closed, ensuring a safe workspace and increasing project efficiency.
- Provides operators two consecutive days off.
- Provides straightforward messaging for our Outreach and Education team.
- Adds two operating days to Milton and three operating days to Burlington.
- Will aid recruitment of new operators.
- Will minimize on-call hours for coverage and overtime hours associated with scheduling needs.

Proposed schedule:

DOC	Days of Operation	Hours of Operation	Notes
Burlington	Tuesday-Saturday	8:00 AM - 3:30 PM	Schedule change will take place after site expansion Q2
Essex	Tuesday-Saturday	8:00 AM - 3:30 PM	Effective 7/1/23
Hinesburg	Saturday	8:00 AM - 3:30 PM	Town permit restricts operation to one day per week only
Milton	Tuesday-Saturday	8:00 AM - 3:30 PM	7/1/23; Temp closed during site expansion Q4
South Burlington	Tuesday-Saturday	8:00 AM - 3:30 PM	Effective 7/1/23
Williston	Tuesday-Saturday	8:00 AM - 3:30 PM	Effective 7/1/23

DOC Revenue – Board Discussion

Over the last five years CSWD has prioritized a comprehensive review of all major operating programs to identify any potentials for optimization, minimize or eliminate general fund subsidy, and generate individual program funding for operator wages and benefits and capital requirements. It is important to note, that shifting operating programs to cover individual operator wages and benefits as well as capital needs, independent of general fund subsidy is the goal. Initial changes to the DOC system are looking to be implemented in FY2024 beginning with the above mentioned new daily operational schedule as well as a review of program revenues.

Average Revenue per Customer “Trip”:

			Average Dollars/Trip				Average Dollars/Trip
	2021				2022		
DOC	Total Trips	Revenue			Total Trips	Revenue	
Burlington	8,816	\$10,081	\$1.14		7,297	\$8,367	\$1.15
Essex	74,322	\$430,229	\$5.79		75,966	\$429,871	\$5.66
Hinesburg	15,953	\$101,837	\$6.38		16,928	\$109,361	\$6.46
Milton	37,914	\$264,335	\$6.97		40,266	\$302,239	\$7.51
Richmond	28,108	\$205,146	\$7.30		NA	NA	NA
South Burlington	81,357	\$438,546	\$5.39		83,988	\$448,577	\$5.34
Williston	91,714	\$1,026,225	\$11.19		80,293	\$895,725	\$11.16
Grand Total	338,184	\$2,476,399	\$6.31		304,738	\$2,194,139	\$6.21
W/o Burlington			\$7.17				\$7.23

The current DOC pricing strategy has two parts. Items that have direct costs through service vendor management (third party or CSWD Roll-Off) are priced to cover service fees; examples are tires, mattresses, C&D, bulky waste, gypsum, furniture, carpets, and appliances. The other component is associated with bagged trash (Municipal Solid Waste, or “MSW”). CSWD does not charge a fee for recycling or food scraps if a customer brings in a bag of MSW in the same trip. The historic practice allocates the MSW revenue to cover the cost of managing MSW bags, recycling, organics, special waste, household hazardous waste accepted at the DOCs, operator wages and benefits, and capital infrastructure needs. Under this practice the MSW bag pricing has never fully covered all those costs and so a subsidy has been required, typically coming from the solid waste management fee (SWMF).

DOC system revenues have decreased over the last three years primarily due to the closing of the DOC in Richmond and the reduction of services offered at in Burlington. Additionally, as the tip fees increased at the Materials Recycling Facility and Organics Diversion Facility, we have not always adjusted DOC pricing accordingly to accommodate the increases. The DOCs have actively subsidized Special Waste materials, as well as the cost of managing leaf and yard debris and clean wood, which have seen increased costs due to inflation. CSWD restructured MSW bag pricing after reopening sites from the COVID-19 closure, late summer/early fall 2020. Bag pricing has not increased since, yet CSWD has incurred significant costs due to two years of high inflation.

Staff anticipates an increase in operating revenue due to increasing the operating days at Milton and Burlington, however the estimated increase is not expected to cover all DOC revenue and capital needs. Staff is projecting that additional revenue will be needed to support the DOCs to maintain the service level expected by our member communities and maintain a fiscally robust and responsible program moving forward and to do so without a subsidy. The expected DOC budget shortfall this year, without an increase to bag pricing, is \$429,732. This is the fifth straight year that the DOCs have needed a subsidy.

Last year, during the FY23 budget discussion with the Board of Commissioners and subsequently with each member municipality's legislative body, Sarah Reeves stated that DOC bag prices were likely to increase in FY24. Operations staff presented an option to increase bagged trash prices to the Finance Committee for review in January 2023. There was extensive discussion on the topic at two committee meetings, and the committee asked staff to bring options to the full Board for consideration and discussion.

Four Options for increased revenue funding solutions have been identified and are outlined below for Board discussion.

Option #1: Assess member towns a service fee

The CSWD Charter allows the District to assess each member town a service fee to support operational programs and charter mandates. Due to the identified economic pressures regarding increased revenue needs one avenue could be a per capita fee. Several solid waste districts and solid waste alliances in Vermont assess their member communities a modest per capita fee to support certain functions of the district or alliance. CSWD has never assessed any member town a service fee as the revenue from the solids waste management fee, sale of materials, and tipping fee revenues have historically covered all revenue needs. This would be a significant shift in philosophy and practice. District staff does not recommend this Option but wanted the Board to have all options available for discussion.

Option #2: Charge the full cost of management for each individual item we accept

Historically CSWD has not charged for items identified as critical to keep out of the landfill due to the nature of the material or CSWD/State mandate. Special waste items such as batteries, used oil, or light bulbs fall under this category as they are mandated to be kept out of the landfill by both CSWD and the State and are also easy to conceal in a garbage bag. Incentivizing a free and convenient drop off location provides the public an avenue to responsibly manage these wastes. During the early days of the COVID-19 pandemic when CSWD operated under a restricted material acceptance criteria DOC operators did report an observation of restricted materials being disposed of as MSW, particularly batteries and metal. District staff does not recommend this Option as through anecdotal evidence, providing the most convenient path to properly managing special waste and household hazardous waste (HHW) items provides the public with highest potential to manage these items appropriately. However, we could consider charging for materials that are not hazardous in nature, such as clean wood, which do not currently carry a fee. For example, we currently only charge a fee for clean wood if a customer brings in more than one cubic yard at a time, or three cubic yards at Williston.

Option #3: Facility usage fee

Option three would apply a base facility usage charge to any customer coming into a DOC to drop off any material. Adding on this fee is a shift away from the District historic pricing strategy but would not be mutually exclusive to CSWD. Addison County Solid Waste Management District charges a \$1.00 service charge to all vehicles visiting the Middlebury Drop Off Center for those items that carry a materials management fee. Customers dropping off no-fee items, like HHW, aren't charged the service fee. The application of a facility usage or service fee acknowledges the cost of the DOC system overhead and facility capital needs without adding cost to a specific item managed within the system. A facility usage fee could also be applied to CSWD's other facilities, particularly the MRF and ODF.

Option #4: Increase the MSW bag pricing

In line with our historic pricing strategy Option four would be a bag price increase to the three MSW bag sizes we accept. Currently MSW bags are priced at \$2.00 for a thirteen-gallon bag, \$6.00 for a thirty-three-gallon bag, and \$8.00 for a forty-five-gallon bag. The estimated revenue associated with the existing MSW bag pricing structure is \$1,730,932. Staff is proposing two potential price increase paths.

- Path A) increases prices to \$3.00 for a thirteen-gallon bag, \$8.00 for a thirty-three-gallon bag, and \$11.00 for a forty-five-gallon bag. The estimated revenue associated with this option is \$2,338,756.
- Path B) increases prices to \$4.00 for a twenty-gallon bag, \$8.00 for a thirty-three-gallon bag, and \$10.00 for a forty-five-gallon bag. The estimated revenue associated with this option is \$2,457,131.

Management is very sensitive to the significant percentage increase of the smallest bag in Option 4B, and as is our practice, we discussed the increases with DOC operators and sought their input. Most operators supported moving the pricing to a larger small bag with a larger price. They felt that the current pricing of the smallest bag is too low, and that customers would understand and accept the increase, particularly if more gallons were allowed.

FY23			
bag size	number of annual bags received	pricing	revenue
13 Gallon Bag	161,431	\$2.00	\$ 322,862
33 Gallon Bag	158,612	\$6.00	\$ 951,674
45 Gallon Bag	43,056	\$8.00	\$ 344,447
MSW loose (yards)	2,665	\$42.00	\$ 111,948
total			\$ 1,730,932
Option #4A			
FY24			
bag size	(using FY23 bags rec'd)	pricing	revenue
13 Gallon Bag	161,431	\$3.00	\$ 484,293
33 Gallon Bag	158,612	\$8.00	\$ 1,268,899
45 Gallon Bag	43,056	\$11.00	\$ 473,615
MSW loose (yards)	2,665	\$48.00	\$ 127,941
total			\$ 2,354,749
Option #4B			
FY24			
bag size	(using FY23 bags rec'd)	pricing	revenue
20 Gallon Bag	161,431	\$4.00	\$ 645,724
40 Gallon Bag	158,612	\$8.00	\$ 1,268,899
50 Gallon Bag	43,056	\$10.00	\$ 430,559
MSW loose (yards)	2,665	\$46.00	\$ 122,610
total			\$ 2,467,793

CSWD has a mandate (mirroring the state's) to provide a "Pay As You Throw" incentive to customers to minimize their waste. Historically, this has been why our pricing has been associated with a price-per-gallon and why the gallon limit has not been associated with a commercially produced bag size.

Current FY23

Price	Gallon	Price/Gallon
\$ 2.00	13	0.15
\$ 6.00	33	0.18
\$ 8.00	45	0.18
\$ 42.00	202	0.21

FY24 Option 4A

Price	Gallon	Price/Gallon
\$ 3.00	13	0.23
\$ 8.00	33	0.24
\$ 11.00	45	0.24
\$ 48.00	202	0.24

FY24 Option 4B

Price	Gallon	Price/Gallon
\$ 4.00	20	0.20
\$ 8.00	40	0.20
\$ 10.00	50	0.20
\$ 46.00	202	0.23