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Managing New York City Garbage Is Exceptionally Expensive

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By Carol Kellermann

New York City's system for collecting and disposing of garbage is exceptionally expensive, and now is the time for the de Blasio Administration to address the problem. The City's contract with sanitation workers has expired, and the new one being negotiated presents an opportunity to fix some of the inefficiencies.

Handling garbage in New York is expensive in both an absolute and relative sense. New York divides responsibility for handling trash between a public and a private system; together they spend \$2.3 billion annually. The public agency is the New York City Department of Sanitation (DSNY), which serves residential buildings, government agencies, and many nonprofit facilities. The private system consists of more than 250 waste-hauling firms licensed to remove waste from businesses ranging from small pizza parlors to large office buildings. In fiscal year 2012 DSNY required \$1.6 billion of tax dollars to carry out its tasks. Private businesses pay an estimated \$730 million annually to remove their trash.

Costs are much higher for DSNY than for private carters. DSNY's average combined collection and disposal cost per ton of \$431 is more than double that of private carters (\$185). It costs DSNY about twice as much to collect the trash (\$307 per ton) as to dispose of it (\$124 per ton).

Costs also are much higher for DSNY than for public agencies in other big cities. Comparisons of public sector waste management costs among cities are difficult, because cities divide responsibilities differently between the public and private sectors. Yet the latest available data show that the public sector cost of collecting a ton of refuse was \$57 in Miami-Dade County, \$74 in Dallas, \$83 in Phoenix, \$182 in Washington, DC, \$231 in Chicago, and \$251 in New York City.

The exceptionally high costs are related to four factors rooted in labor contracts.

1. The compensation cost of a City sanitation worker begins at more than \$100,000 and averages more than \$150,000 annually. Compensation consists of direct wages and fringe benefits. For both elements, DSNY uniformed sanitation employees receive more than local private-sector counterparts, and the differential is especially great for fringe benefits.

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2. DSNY pays "productivity" bonuses to its workers, but taxpayers do not get increased productivity in exchange. Two of the bonus payments - a bonus for meeting a target on tons collected per shift and a bonus for emptying the truck during a shift without overtime - are intended to yield greater productivity, but they are not achieving that result. The first bonus is being paid even when workers fail to meet the target, and getting the second bonus is more a function of the location of the route than the effort of the workers.

3. DSNY's practices for setting routes and schedules, many of which are incorporated in union contracts, create inefficiencies. Collection runs in many areas typically do not result in a full truck. The inefficient practices include minimum refuse collection frequency of twice per week, inflexible eight-hour shifts, and limited night collections.

4. Heavy reliance on DSNY for snow removal is unique among big cities and generates high overtime expenses. When workers report for unscheduled shifts during a snow emergency, they are guaranteed at least 8 hours pay at time and one-half. Other large cities assign snow removal to a broader group of workers including those in transportation and parks departments as well as private contractors.

Of course, contractual arrangements are not exclusively responsible for New York's high costs. Two policy decisions made by the City also create inefficiencies. First, New York is one of only a few large cities that pay for trash collection entirely out of general tax revenue. Most cities have some fee related to the amount of trash generated, so-called "pay-to-throw" arrangements. With no such charges on customers, New York's system provides no incentive to reduce waste.

Second, the City has mandated inefficient recycling practices. In fiscal year 2012, DSNY spent \$629 per ton to collect recyclable material, more than double the \$251 per ton for collecting refuse. This inefficiency results from rigid collection cycles of once per week in all neighborhoods regardless of the amount put out for recycling in those areas and from separate collection of two types of material, paper and combined plastic, metal and glass, rather than so-called "single stream" recycling that requires far fewer trucks to collect.

The expired labor contract with sanitation workers presents an opportunity to address some of the major factors driving the exceptionally high costs of New York City's trash system. Creating a more productive system would not only offset the cost of the labor settlement but also unlock resources needed for DSNY and other agencies to meet the de Blasio Administration's ambitious goals.

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