

COMMENTS REGARDING LEAF PROGRAM ANALYSIS

Background

Overall, I am not inclined to challenge or dispute the many details of proposed budgets. My attitude is basically *laissez-faire*. I believe the details should be within the Board and Village Management's discretion as long as there is adherence to basic constraints.¹

Having said this, I think it is important to take advantage of the *occasional* opportunities that may provide material cost reductions in return for publicly acceptable reductions in service. Although realistic opportunities along these lines are not easy to find, I believe the idea of changing the leaf program to end vacuuming has emerged as such an opportunity. It is therefore a specific plan/budget/management item that I am inclined to weigh in on.

Budget Presentation Summary

The **Comb 02.16.22 Budget.pdf** document (*i.e.*, the Agenda for the February 16, 2022 budget meeting) presents the leaf opportunity mostly on pdf pages 14-17 and 27-29. Based on my review of this material, I have some technical questions and observations, and I have forwarded them to Village Manager Rob Cole. However, I do not think they will significantly impact the big picture, so I will discuss the big picture as it appears in the document.

- Here is the summary presentation (Page 16), also showing a column for savings.

	Existing Leaf Program	Bagged Pick-up	Savings
Equipment	\$183,501	\$21,312	\$162,189
Hauling	\$93,000	\$93,000	\$0
Personnel	\$734,604	\$533,606	\$200,998
Burden Shift	\$0	\$1,000,000	-\$1,000,000
TOTAL	\$1,011,105	\$1,647,919	-\$636,813

- With all due respect, I believe this summary presentation does not fully reveal the sources and dynamics of the impact. Even if we do nothing this year, I believe this summary should be presented in a way that better exposes the issues and opportunities going forward. Thus, I would break the summary into a sequence of impacts.

¹ As examples of these basic constraints, (1) tax increases should not exceed the lesser of the cap or 3%, (2) levels of unassigned fund balance and debt service do not put our current ratings at risk, (3) maintain service levels, and (4) do not add employees, because employee costs tend to drive uncontrollable future costs.

	Existing Leaf Program	Bagged Pick-up	Savings
Equipment	\$183,501	\$21,312	\$162,189
Hauling	\$93,000	\$93,000	\$0
Personnel	\$734,604	\$293,737	\$440,867
"LEAF ONLY" IMPACT	\$1,011,105	\$408,049	\$603,056
Reassigned Personnel	\$0	\$239,869	-\$239,869
"BUDGET" IMPACT	\$1,011,105	\$647,918	\$363,187
Burden Shift	\$0	\$1,000,000	-\$1,000,000
"TOTAL" IMPACT	\$1,011,105	\$1,647,919	-\$636,813

- The “leaf only” impact excludes the reassigned personnel and the burden shift. It uses only those components of the summary that relate to the impact on the Village (and not the public) *for the specific activity of leaf collection*.
- The “budget” impact adds back the reassigned personnel. These are all Highway FTEs. This view reflects what I recognize as the reality that these employees cannot be let go or otherwise not paid – in the coming budget year – because of reduced leaf collection activity.
- The “total” impact adds back the burden shift.
- Having presented the summary as this sequence of impacts, I will next address each of these impacts.

“Leaf Only” Impact

- First, this does appear to show that the annual cost of the actual leaf collection activity can be reduced by \$600,000. This is nearly 1% of a \$65 million budget, and about 1.4% of a \$43 million property tax revenue. This reinforces my perception that leaf collection is one of the few realistic opportunities where the Village may be able to reduce taxes by providing less service in a publicly acceptable way.
- I do not have any reason to challenge the Personnel and Hauling numbers, as estimates of the annual cost of the leaf activity.
- I do have problems with the Equipment numbers, or at least those numbers have to be put into perspective. One problem is that the numbers for Village owned equipment are basically calculated as the capital cost divided by expected life.
 - For example, a Leaf Machine with a capital cost of \$30,000 and an expected life of 20 years, goes into these numbers as costing \$1,500 per year. These are not budget-type numbers. The budget in a given year is either the capital cost for the purchase of a new machine or zero if there is no new machine.

- This sort of annualized estimate makes sense if we assume steady state continuation of the present leaf collection approach – every year or two we replace a machine or two, so the actual annual cost for all the machines is close to the annualized cost as presented. So, the impact (savings) numbers make sense only if we view them as the steady state year in and year out impact after we have fully transitioned from the current method to bagging.
- What is missing is a plan and budget for the transition. What are the numbers over the next few years (say, five years) if we purchase no new leaf machines and sell most of the ones we have? The Key Assumptions (Page 17) says that leaf equipment sales would only generate \$43,000. I know nothing about the resale market for these machines, but this seems low based on the total capital cost.
- An additional challenge with the Equipment numbers is that the annualized costs of certain assets (mainly the 9 Dump Trucks) are presumed to be incurred for only the 15% of the year when they are used for leaf activity. We are not going to get rid of 15% of the Dump Truck cost in one year even if they are no longer used for leaf activity. An actual plan and budget for the transition might show that we could reduce the Dump Truck fleet from 9 to 7 or 8 over the next few years if we change the leaf collection approach. It might show that we can avoid the next \$325,000 dump truck purchase, whenever that is otherwise expected to occur.
- Similarly, under the proposed bagging proposal, the summary shows that two Garbage Trucks would be needed 15% of the time. The Key Assumptions (Page 17) says they would have a capital cost of \$534,000 for the bagging proposal. However, the overall fleet maintenance proposal (Page 55) appears to request these as high priority acquisitions even with a continuation of the current leaf collection activity.
- In sum, I recommend that a more realistic explanation of the Equipment component would be one that shows a multiple year (five year if possible) plan and budget, factoring in sales and avoided purchases. It is entirely possible that this would show less of a first year savings than what the present summary shows, but it would show a plausible path to getting to the \$600,000 reduction in the cost of actual leaf collection activity.

“Budget Only” Impact – Reassigned Personnel

- As stated, I would not expect full time employees to be let go or otherwise not paid because of reduced leaf collection activity – in the coming budget year.
- Otherwise, this situation of having more FTEs than we need for the proposed leaf bagging is comparable to having more leaf equipment than we need for the proposed leaf bagging. So, again, I believe there is a need to show some sort of plan and budget for a multiple year transition. Can we avoid hiring replacements when the next one or two FTEs retires or leaves?

- It should not be assumed that this \$240,000 cost of reassigned personnel is permanent. I have to believe it is possible to present a plausible path for reducing the staff permanently – over time – by doing some of the required non-leaf activity during the leaf season.
- (At minimum, I would also like to know what additional services will be provided for this \$240,000 of cost in the coming budget year.)

“Total” Impact – Burden Shift

- As I said up front, the whole point in examining the proposed change to leaf collection is that it may be a rare opportunity to reduce cost in return for a publicly acceptable reduction in service.
- So, it does not seem right to present a single assumed average public financial impact in a way that forecloses a more complete attempt to gauge public acceptability. Based on past discussions I was expecting a dedicated Board meeting or portion of a meeting for public comment as we have had on other topics where it was important to gauge public opinion.
- In terms of the impact, there is reason to believe the proposed change will be more acceptable to the public than the summary anticipates.
 - As a member of the public, I myself am thinking – really for the first time – that I should consider leaf mulching. Running a lawn mower over the lawn seems faster and less laborious than blowing or bagging the leaves, so I would not pay more to the gardener. Members of the public who mulch will benefit from a 1.4% reduction in future taxes from what the taxes otherwise would have been.
 - Along these lines, it simply should not be assumed that only 10% - 15% of the Village will mulch.
 - I am no expert on the sustainability benefits of the proposed change, but I have a lot of confidence in the people who know more about this. Even if I decide to have the gardener bag the leaves at a cost that exceeds the 1.4% tax reduction, I am open to the conclusion that the sustainability benefits warrant the change.

Conclusion

If the Board and Village Management can present a plausible five-year transition plan that can result in a permanent annual savings of \$600,000 and a 1.4% reduction in taxes, the public may very well agree that this is worth the reduction in services. If it is now too late to develop and consider such a plan as part of this year’s budget work, I respectfully urge Village leadership to develop a plan that can be reviewed by the public well in advance of next year’s budget work.

Michael Levine
February 15, 2022