

Township of Lower Merion Solid Waste Fund 2015 Financial Forecast



Finance Committee
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Overview of Presentation

- I. Solid Waste Fund (SWF) Overview**
- II. SWF Financial Performance & Forecast**
- III. SWF Fee Options**



Solid Waste Fund (SWF) Overview

Solid Waste Fund is an Enterprise Fund

- User fees set for full cost recovery
- Prior to 2010 the General Fund provided a subsidy to the SWF
- Maintain 10% fund balance reserve
- Transition from Waste Systems Authority (WSA)
- Refuse Division provides trash and recycling collection services for almost 17,000 residential customers and collects annually
 - 16,000 tons of trash
 - 3,800 tons of recycled paper
 - 2,600 tons of commingled products



Solid Waste Fund Financial Performance & Forecast





Solid Waste Fund Fee History

- Fees restructured in 2010 when SWF changed to full cost recovery
- 2013 SWF fees increased 9% except for Rear Yard Collection Fee
- 2014 SWF fees increased 5.4%; 2015 SWF fees unchanged

SWF Subscription	2010-2012	2013	Annual Increase	2014-2015	Annual Increase
Mini-Can	\$ 179	\$ 195	\$ 16	\$ 205	\$ 10
1 Can	\$ 254	\$ 277	\$ 23	\$ 292	\$ 15
2 Cans	\$ 304	\$ 332	\$ 28	\$ 350	\$ 18
3 Cans	\$ 354	\$ 387	\$ 33	\$ 408	\$ 21
4 Cans	\$ 404	\$ 442	\$ 38	\$ 466	\$ 24
5 Cans	\$ 454	\$ 497	\$ 43	\$ 524	\$ 27
6 Cans	\$ 504	\$ 552	\$ 48	\$ 582	\$ 30
7 Cans	\$ 554	\$ 607	\$ 53	\$ 640	\$ 33
8 Cans	\$ 604	\$ 662	\$ 58	\$ 698	\$ 36
Rear Yard	\$ 200	\$ 200	\$ -	\$ 210	\$ 10



Solid Waste Fund Subscriptions

Solid Waste Fund Subscription Analysis

- Nearly 16,800 subscriptions (at over 16,200 individual locations)

Subscription Level	Current Subscriptions	% of Total Subscriptions	2016 Est. Revenue (Flat)
Mini-Can	1,635	6%	\$ 335,175
One Cans	6,986	37%	2,039,912
Two Cans	5,100	33%	1,785,000
Three Cans	2,116	16%	863,328
Four or more Cans	954	8%	413,400
Total	16,791	100%	\$ 5,436,815
Rear Yard Subscriptions	3,580		751,800
Total Solid Waste Fee Revenue			\$ 6,188,615



Updated Solid Waste Fund Forecast

Solid Waste Fund	Actual 2014	Forecast 2015	Projected 2016
Beginning fund balance	\$ 0.7	\$ 1.0	\$ 0.9
Revenues	7.1	7.2	7.2
Expenses	6.8	7.3	7.4
Surplus/(deficit)	0.3	(0.1)	(0.2)
Ending fund balance	\$ 1.0	\$ 0.9	\$ 0.7
Fund Balance % of Expenses	15.2%	12.5%	9.0%

- Projected 2016 fund balance slightly below 10% policy level
- Assumptions
 - No increase in fee levels
 - Disposal costs per existing tipping fee contract



Solid Waste Fund Revenues

- SWF fee revenue growth is minimal absent fee increases
- Refuse collection compliance – audit routes to ensure compliance with subscription level
- Recycled paper market prices have been relatively stable in 2015
 - Avg 2015 = \$72/Ton
 - Dec 2014 = \$75/Ton
 - Dec 2013 = \$65/Ton
 - Dec 2012 = \$60/Ton
 - Dec 2011 = \$105/Ton
 - Dec 2010 = \$85/ton



Solid Waste Fund Expenditures

- Post WSA tipping fees decreased from \$65/ton to \$63.75/ton in 2015; future increases set by contract with Covanta
 - \$65.03/ton in 2016
 - \$66.33/ton in 2017
 - \$67.65/ton in 2018
 - \$69.01/ton in 2019
- Labor costs (determined by upcoming WA negotiations)
- Diesel fuel costs to operate refuse collection fleet
- Vehicle rental rates charged through Equipment Fund
- Transfer to General Fund for indirect costs



Solid Waste Fund Fee Options





Solid Waste Fund Fee Options for 2016

No Change to Solid Waste Fees

- Projected fund balance level is only slightly below policy level
 - Increase would be expected in 2017

Minor Increase to Solid Waste Fees

- SWF fee increase of 3.0%
 - Projected ending fund balance level of 11.4%

Major Increase to Solid Waste Fees

- SWF fee increase of 9.0%
 - Projected fund balance of 14.8%
 - Would provide sufficient funding to keep rates stable for several years



Minor SWF Fee Increase

- Increase the SWF fees across-the-board 3%
- Projected impact on current SWF subscription levels
 - Over 75% of current customers (Mini-can, One can, Two cans) would see a fee increase of \$10 or less in 2016
 - No significant impact on customers subscription levels
- Generates approximately \$0.2 M of new net SWF revenue
- Projected 2016 ending fund balance level of 11.4%
- Forecast projects fund balance above 10% policy level through 2016; another increase may be necessary in 2017



Major SWF Fee Increase

- Increase the SWF fees across-the-board 9%
- Projected impact on current SWF subscription levels
 - Over 75% of current customers (Mini-can, One can, Two cans) would see a fee increase of \$31 or less in 2016
 - Assumes an overall 2% reduction in subscription levels which is consistent with past experience in 2013 when a similar increase was implemented
- Generates approximately \$0.4 M of new net SWF revenue
- Projected 2016 ending fund balance level of 14.8%
- Forecast projects fund balance above 10% policy level through at least 2017 and perhaps 2018



Summary of Solid Waste Fund Fee Increase Options

- Current Fees compared to fee increase options

SWF Subscription	2015 Fees	Option 1 3%	Annual Increase	Option 1 9%	Annual Increase
Mini-Can	\$ 205	\$ 211	\$ 6	\$ 223	\$ 18
1 Can	\$ 292	\$ 301	\$ 9	\$ 318	\$ 26
2 Cans	\$ 350	\$ 360	\$ 10	\$ 381	\$ 31
3 Cans	\$ 408	\$ 420	\$ 12	\$ 444	\$ 36
4 Cans	\$ 466	\$ 480	\$ 14	\$ 507	\$ 41
5 Cans	\$ 524	\$ 540	\$ 16	\$ 570	\$ 46
6 Cans	\$ 582	\$ 599	\$ 17	\$ 633	\$ 51
7 Cans	\$ 640	\$ 659	\$ 19	\$ 696	\$ 56
8 Cans	\$ 698	\$ 719	\$ 21	\$ 759	\$ 61
Rear Yard	\$ 210	\$ 216	\$ 6	\$ 229	\$ 19



Solid Waste Fee Next Steps

- BOC decision on SWF fee level for 2016
- If the BOC adopts to keep current fee structure in place for 2016
 - Approval necessary at September BOC meeting
- If the BOC opts to increase SWF fees
 - BOC approves advertisement of Ordinance adopting the 2016 Solid Waste Fee Schedule and Public Hearing
 - BOC holds Public Hearing and adopts Ordinance setting the 2016 Solid Waste Fee Schedule
- Solid Waste subscription change cards mailed to customers (tentatively scheduled for mid-to-late November)
- 2016 Solid Waste Bill is included with tax bill mailed Jan 31st