

# Township of Lower Merion Solid Waste Fund 2017 Financial Forecast



Finance Committee  
September 14, 2016





# 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
- Past practice to maintain 10% fund balance reserve
- Refuse Division provides trash and recycling collection services for almost 16,800 residential customers and collects annually
  - 17,700 tons of trash
  - 3,700 tons of recycled paper
  - 2,500 tons of commingled products



# **Solid Waste Fund Financial Performance & Forecast**





# Solid Waste Fund Fee History

- 2013 SWF fees increased 9% except for Rear Yard Collection Fee
- 2014 SWF fees increased 5.4%; 2015-2016 SWF fees unchanged

SWF Subscription	2010-2012	2013	Annual Increase	2014-2016	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	2017 Est. Revenue (Flat)
Mini-Can	1,694	10%	\$ 347,300
One Cans	7,162	43%	2,091,300
Two Cans	5,096	30%	1,783,600
Three Cans	1,977	12%	806,600
Four or more Cans	887	5%	367,100
Total	16,816	100%	\$ 5,395,900
Rear Yard Subscriptions	3,523		739,800
<b>Total Solid Waste Fee Revenue</b>			<b>\$ 6,135,700</b>



# Updated Solid Waste Fund Forecast

<b>Solid Waste Fund</b>	<b>Actual 2014</b>	<b>Actual 2015</b>	<b>Forecast 2016</b>	<b>Projected 2017</b>
Beginning fund balance	\$ 0.70	\$ 1.03	\$ 0.84	\$ 0.69
Revenues	\$ 7.14	\$ 7.05	\$ 7.07	\$ 7.04
Expenses	\$ 6.81	\$ 7.24	\$ 7.23	\$ 7.46
Surplus/(deficit)	\$ 0.34	\$ (0.19)	\$ (0.16)	\$ (0.41)
Ending fund balance	\$ 1.03	\$ 0.84	\$ 0.69	\$ 0.27
<b>Fund Balance % of Expenses</b>	<b>15.2%</b>	<b>11.6%</b>	<b>9.5%</b>	<b>3.7%</b>

- Projected 2017 fund balance below 10% policy level
- Assumptions
  - No increase in fee levels; no WSA settlement funds dedicated to operating budget
  - 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 2016
  - Avg 2016 = \$76/Ton
  - Dec 2015 = \$73/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

- Tipping fee set by contract with Covanta (2% annual increases)
  - \$65.03/ton in 2016
  - \$66.33/ton in 2017
  - \$67.65/ton in 2018
  - \$69.01/ton in 2019
- Commingled disposal costs have skyrocketed in 2016 to over \$90/ton versus \$62/ton in 2015 and \$22/ton in 2014
- Labor costs
- 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 2017

## WSA Settlement

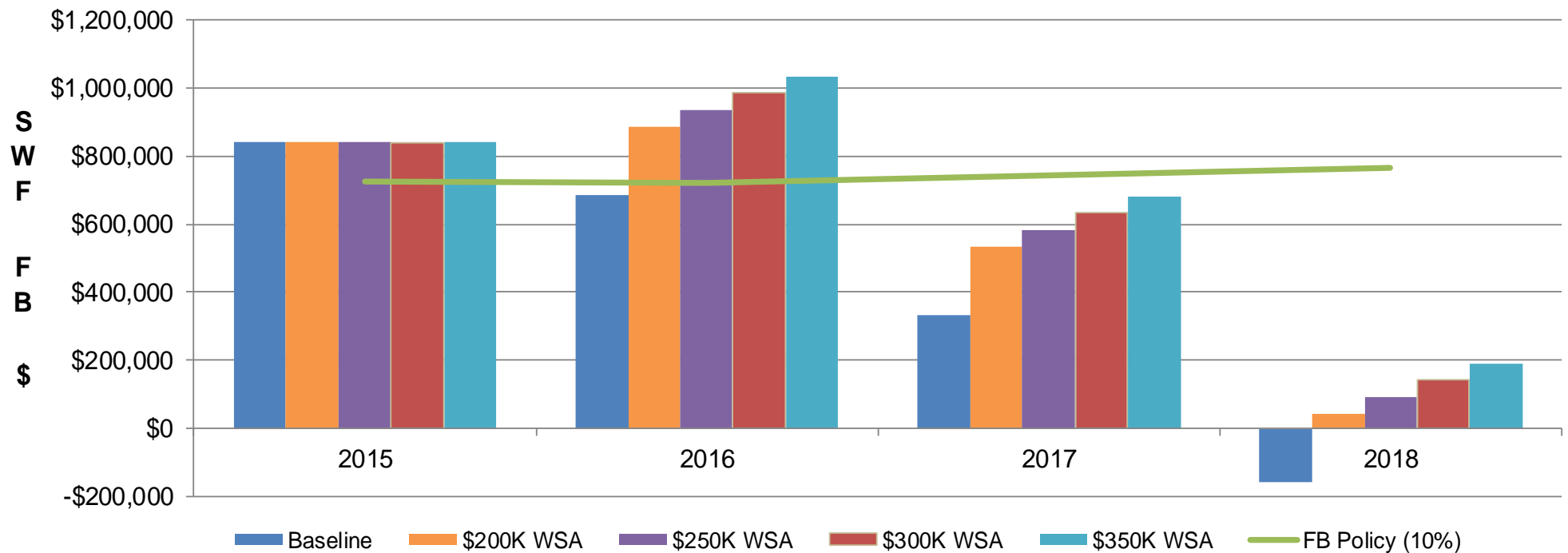
- Township recently reached a financial settlement with the WSA that concludes the Township's involvement with the WSA
  - Settlement amount was \$540,681 and was paid in August
- Settlement is related to reimbursement of CIP expenditures at the Township Transfer Station in the amount of \$358,465 as well as a portion of the WSA's remaining assets
- The Board of Commissioners has discretion how to dedicate the Settlement funds to best maintain the financial stability of the Solid Waste Fund and invest in the Transfer Station's capital needs
  - Dedication to Solid Waste Fund would support the fund and lessen potential rate increases, while dedication to capital needs would reduce future need to borrow



# Solid Waste Fund Fee Options for 2017

- Dedication of a portion of the WSA Settlement fund to the SWF for operating purposes brings the SWF much closer to its fund balance target in 2017

### Impact of WSA Settlement Funds on SWF Fund Balance





# Solid Waste Fund Fee Options for 2017

- Use of one-time WSA funds will help determine SWF fees

<b>Solid Waste Fund</b>	<b>2016 Forecast</b>	<b>2017 Forecast</b>	<b>2018 Forecast</b>
Beginning Fund Balance	\$ 0.84	\$ 0.94	\$ 0.52
Revenues	\$ 7.07	\$ 7.04	\$ 7.06
Expenses	\$ 7.23	\$ 7.46	\$ 7.67
Surplus/(Deficit)	\$ (0.16)	\$ (0.41)	\$ (0.61)
Ending Fund Balance	\$ 0.69	\$ 0.52	\$ (0.09)
Ending FB (% of Operating Expenditures)	9.5%	7.0%	-1.2%
WSA Settlement - One Time Revenue	\$ 0.250	-	-
Ending Fund Balance	\$ 0.94	-	-
Ending FB (% of Operating Expenditures)	12.9%	7.0%	-1.2%
<b>Option 1: 5% Fee Increase</b>			
Additional Solid Waste Fee Billable		\$ 0.24	\$ 0.24
Ending Fund Balance		\$ 0.76	\$ 0.38
Ending FB (% of Operating Expenditures)		10.2%	4.9%
<b>Option 2: 7% Fee Increase</b>			
Additional Solid Waste Fee Billable		\$ 0.34	\$ 0.34
Ending Fund Balance		\$ 0.86	\$ 0.59
Ending FB (% of Operating Expenditures)		11.6%	7.7%
<b>Option 3: 9% Fee Increase</b>			
Additional Solid Waste Fee Billable		\$ 0.46	\$ 0.46
Ending Fund Balance		\$ 0.98	\$ 0.82
Ending FB (% of Operating Expenditures)		13.1%	10.7%



# Summary of Solid Waste Fund Fee Increase Options

- Current SWF fees compared to various fee increase options

SWF Can level	2016	Option 1 5% Inc	Annual Increase	Option 2 7% Inc	Annual Increase	Option 3 9% Inc	Annual Increase
Mini-Can	\$ 205	\$ 215	\$ 10	\$ 219	\$ 14	\$ 223	\$ 18
1 Can	\$ 292	\$ 307	\$ 15	\$ 312	\$ 20	\$ 318	\$ 26
2 Cans	\$ 350	\$ 368	\$ 18	\$ 375	\$ 25	\$ 382	\$ 32
3 Cans	\$ 408	\$ 428	\$ 20	\$ 437	\$ 29	\$ 445	\$ 37
4 Cans	\$ 466	\$ 489	\$ 23	\$ 499	\$ 33	\$ 508	\$ 42
5 Cans	\$ 524	\$ 550	\$ 26	\$ 561	\$ 37	\$ 571	\$ 47
6 Cans	\$ 582	\$ 611	\$ 29	\$ 623	\$ 41	\$ 634	\$ 52
7 Cans	\$ 640	\$ 672	\$ 32	\$ 685	\$ 45	\$ 698	\$ 58
8 Cans	\$ 698	\$ 733	\$ 35	\$ 747	\$ 49	\$ 761	\$ 63
Rear Yard	\$ 210	\$ 221	\$ 11	\$ 225	\$ 15	\$ 229	\$ 19



# Solid Waste Fee Next Steps

- BOC decision on dedication of WSA Settlement funds and the appropriate SWF fee level for 2017
- If the BOC opts to increase SWF fees
  - BOC approves advertisement of Ordinance amending the Solid Waste Fee Schedule and Public Hearing
  - BOC holds Public Hearing and adopts Ordinance setting the 2017 Solid Waste Fee Schedule
- Solid Waste subscription change cards mailed to customers (tentatively scheduled for mid-to-late November)
- 2017 Solid Waste Bill is included with tax bill mailed Jan 31<sup>st</sup>