

# Township of Lower Merion Solid Waste Fund 2018 Financial Forecast



Finance Committee  
September 19, 2017





# Overview of Presentation

- I. Solid Waste Fund (SWF) Overview**
- II. SWF History & Financial Performance**
- 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
- Township financial policy calls for Township to strive to maintain 10% fund balance level for emergencies and contingencies
  - This level while sufficient, is less than recommended levels by GFOA for enterprise funds
- Refuse Division provides trash and recycling collection services for almost 16,800 residential customers and collects annually
  - 17,700 tons of trash
  - 3,500 tons of recycled paper
  - 2,400 tons of commingled products



# Solid Waste Fund History & Financial Performance





# Solid Waste Fund Fee History

- 2013 SWF fees increased 9% except for Rear Yard Collection Fee
- 2014 SWF fees increased 5.4%
- 2017 SWF fees increased 5% except for Rear Yard Collection Fee
- 2.4% compounded annual growth rate in SWF fees since 2010

SWF Can Level	2010-2012	2013	2014-2016	2017
Mini-Can	\$ 179	\$ 195	\$ 205	\$ 215
1 Can	\$ 254	\$ 277	\$ 292	\$ 307
2 Cans	\$ 304	\$ 332	\$ 350	\$ 368
3 Cans	\$ 354	\$ 387	\$ 408	\$ 429
4 Cans	\$ 404	\$ 442	\$ 466	\$ 490
5 Cans	\$ 454	\$ 497	\$ 524	\$ 551
6 Cans	\$ 504	\$ 552	\$ 582	\$ 612
7 Cans	\$ 554	\$ 607	\$ 640	\$ 673
8 Cans	\$ 604	\$ 662	\$ 698	\$ 734
Rear Yard	\$ 200	\$ 200	\$ 210	\$ 210



# Solid Waste Fund Subscriptions

- Over 16,800 subscriptions (at over 16,250 individual locations)
  - Nearly 85% of subscriptions are at the mini-can, one can or two can level

Subscription Level	Current Subscriptions	% of Total Subscriptions	2018 Est. Revenue (Flat)
Mini-Can	1,775	11%	\$ 381,625
One Cans	7,232	43%	2,220,224
Two Cans	5,100	30%	1,876,800
Three Cans	1,868	11%	801,372
Four or more Cans	851	5%	351,894
Total	16,826	100%	\$ 5,631,915
Rear Yard Subscription	3,423	20%	718,830
<b>Total Solid Waste Fee Revenue</b>			<b>\$ 6,350,745</b>



# Solid Waste Fund Subscriptions

- Since 2011 residents have increasingly moved to lower can levels and rear yard subscriptions have fallen which constrains revenue
  - Mini-can up 39.9%; One can up 12.4%; Two cans up 3.4%
  - Three cans down 36.6%; Four or more cans down 27.6%
  - Rear Yard down 11.4%

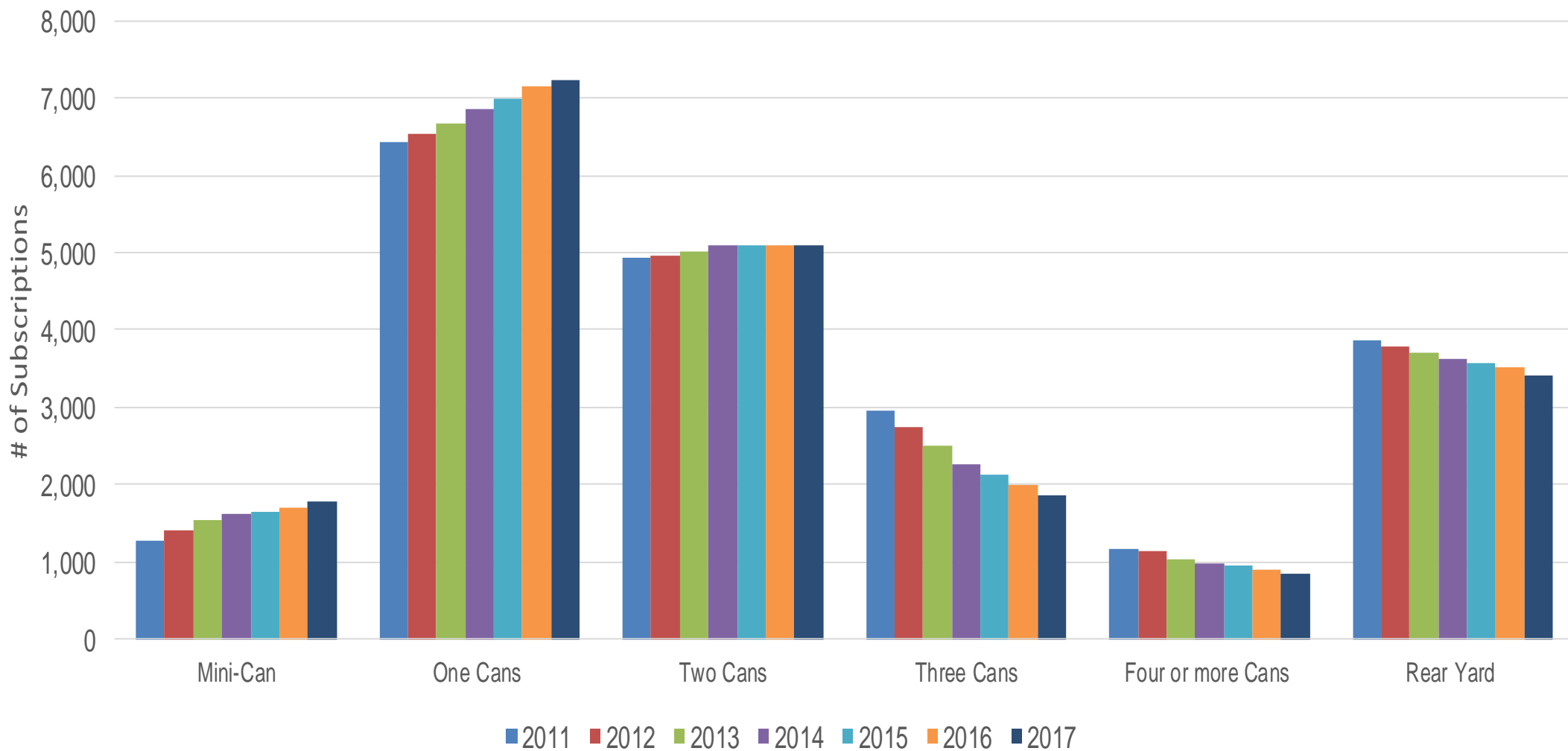
Fee Increase			9%*	5.4%			5%*
Can Level	2011	2012	2013	2014	2015	2016	2017
Mini-Can	1,269	1,405	1,533	1,612	1,635	1,694	1,775
One Cans	6,437	6,528	6,676	6,848	6,986	7,162	7,232
Two Cans	4,932	4,968	5,023	5,090	5,100	5,096	5,100
Three Cans	2,945	2,755	2,513	2,265	2,116	1,997	1,868
Four or more Cans	1,176	1,128	1,039	985	954	887	851
Total	16,759	16,784	16,784	16,800	16,791	16,836	16,826
Rear Yard	3,865	3,780	3,711	3,612	3,580	3,523	3,423

\*Increase on Can Level Fees only. Rear Yard no fee increase.



# Solid Waste Fund Subscriptions

## Solid Waste Subscription Levels







# Updated Solid Waste Fund Forecast

<b>Solid Waste Fund</b>	<b>Actual 2015</b>	<b>Actual 2016</b>	<b>Forecast 2017</b>	<b>Projected 2018</b>
Beginning fund balance	\$ 1.03	\$ 0.84	\$ 0.77	\$ 0.75
Revenues	\$ 7.05	\$ 7.61	\$ 7.31	\$ 7.29
Expenses	\$ 7.24	\$ 7.69	\$ 7.33	\$ 7.59
Surplus/(deficit)	\$ (0.19)	\$ (0.08)	\$ (0.02)	\$ (0.31)
Ending fund balance	\$ 0.84	\$ 0.77	\$ 0.75	\$ 0.44
<b>Fund Balance % of Expenses</b>	<b>11.6%</b>	<b>10.0%</b>	<b>10.2%</b>	<b>5.8%</b>

- Projected 2018 fund balance below 10% policy level; in line with previous staff estimates
- Assumptions
  - No increase in fee levels and no changes to operations/service
  - Trash disposal costs per existing contract



# Solid Waste Fund Revenues

- SWF fee revenue growth is minimal absent fee increases
- Refuse collection compliance – audit routes to ensure compliance
- Recycled paper market prices have been relatively stable with some recent growth
  - Avg. 2017 = \$94/Ton (current is only \$75/Ton)
  - Dec 2016 = \$90/Ton
  - Dec 2015 = \$75/Ton
  - Dec 2014 = \$75/Ton
  - Dec 2013 = \$65/Ton
  - Dec 2012 = \$60/Ton
  - Dec 2011 = \$75/Ton



# Solid Waste Fund Expenditures

- Tipping fee set by contract with Covanta (2% annual increases)
  - \$66.33/ton in 2017; \$1.175 million total
  - \$67.65/ton in 2018; \$1.20 million total
  - \$69.01/ton in 2019; \$1.25 million total
- Commingled disposal costs have declined from over \$90/ton earlier this year to \$54/ton currently. This line item is still a \$110,000 annual increase from 2014 to 2017 (estimated actual)
- Labor costs (wages and employee benefits) = \$4.1 million (2018)
- Vehicle rental rates for Equipment Fund = \$876,000 (2018)
- Transfer to General Fund for indirect costs = \$989,900 (2018)
- These costs represent 97% of 2018 projected SWF expenditures



## **Solid Waste Fund Fee Options**





# Solid Waste Fund Fee Options for 2018

- Baseline projections show continued deficits without additional revenue or reduced expenditures; fee increases may be necessary

<b>Solid Waste Fund</b>	<b>2017 Forecast</b>	<b>2018 Forecast</b>	<b>2019 Forecast</b>	<b>2020 Forecast</b>
Beginning Fund Balance	\$ 0.77	\$ 0.75	\$ 0.44	\$ (0.05)
Revenues	\$ 7.31	\$ 7.29	\$ 7.29	\$ 7.29
Expenses	\$ 7.33	\$ 7.59	\$ 7.77	\$ 7.96
Surplus/(Deficit)	\$ (0.02)	\$ (0.31)	\$ (0.48)	\$ (0.68)
Ending Fund Balance	\$ 0.75	\$ 0.44	\$ (0.05)	\$ (0.72)
Ending FB (% of Operating Expenditures)	10.2%	5.8%	-0.6%	-9.1%
<b>Option 1: 3% Fee Increase</b>				
Additional Solid Waste Fee Billable		\$ 0.15	\$ 0.15	\$ 0.15
Ending Fund Balance		\$ 0.60	\$ 0.27	\$ (0.26)
Ending FB (% of Operating Expenditures)		7.9%	3.4%	-3.2%
<b>Option 2: 5% Fee Increase</b>				
Additional Solid Waste Fee Billable		\$ 0.28	\$ 0.28	\$ 0.28
Ending Fund Balance		\$ 0.72	\$ 0.51	\$ 0.12
Ending FB (% of Operating Expenditures)		9.5%	6.6%	1.5%
<b>Option 3: 7% Fee Increase</b>				
Additional Solid Waste Fee Billable		\$ 0.39	\$ 0.39	\$ 0.39
Ending Fund Balance		\$ 0.84	\$ 0.74	\$ 0.46
Ending FB (% of Operating Expenditures)		11.0%	9.6%	5.8%



# Solid Waste Fund Fee Options for 2017

- While there are limited options outside of fee increases on the revenue side staff has developed some options for consideration
- These options would have an impact on “non-core” services funded through Solid Waste Fund
  - Eliminate one Clean-Up Weekend annually (\$25,500)
  - Defer street can re-painting in business districts (\$30,000)
  - GF indirect cost level held flat at 2017 level (\$38,000)
  - Transition to Rear Yard Waiver exemption at 50% (\$40,000)
  - Eliminate one TV Collection Event annually (\$5,750)
  - Increase disposal fees paid at Transfer Station (\$50,000)
  - If all these options were approved by the Board the ending fund balance percentage would increase to 7.7% reducing the need for considering a fee adjustment



# Summary of Solid Waste Fund Fee Increase Options

- Current SWF fees compared to fee increase options that may be considered by the Board if deemed necessary

SWF Can Level	2017	3% Inc	Annual Increase	5% Inc	Annual Increase	7% Inc	Annual Increase
Mini-Can	\$ 215	\$ 221	\$ 6	\$ 226	\$ 11	\$ 230	\$ 15
1 Can	\$ 307	\$ 316	\$ 9	\$ 322	\$ 15	\$ 329	\$ 22
2 Cans	\$ 368	\$ 379	\$ 11	\$ 386	\$ 18	\$ 394	\$ 26
3 Cans	\$ 429	\$ 442	\$ 13	\$ 450	\$ 21	\$ 459	\$ 30
4 Cans	\$ 490	\$ 505	\$ 15	\$ 514	\$ 24	\$ 524	\$ 34
5 Cans	\$ 551	\$ 568	\$ 17	\$ 578	\$ 27	\$ 589	\$ 38
6 Cans	\$ 612	\$ 631	\$ 19	\$ 642	\$ 30	\$ 654	\$ 42
7 Cans	\$ 673	\$ 694	\$ 21	\$ 706	\$ 33	\$ 719	\$ 46
8 Cans	\$ 734	\$ 757	\$ 23	\$ 770	\$ 36	\$ 784	\$ 50
Rear Yard	\$ 210	\$ 216	\$ 6	\$ 221	\$ 11	\$ 225	\$ 15



# Solid Waste Fee Next Steps

- BOC decision on the appropriate SWF fee level for 2018
- 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 2018 Solid Waste Fee Schedule
- Solid Waste subscription change cards mailed to customers (tentatively scheduled for mid-to-late November)
- 2018 Solid Waste Bill is included with tax bill mailed Jan 31<sup>st</sup>