

Township of Lower Merion Solid Waste Fund 2019 Financial Forecast



Finance Committee
September 20, 2018





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 nearly 16,850 residential customers and collects annually
 - 18,000 tons of trash
 - 3,200 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
- 2.1% compounded annual growth rate in SWF fees since 2010

SWF Can Level	2010-12	2013	2014-16	2017-18
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 16,300 individual locations)
 - Fees based on can level provide incentives to reduce trash
 - 85% of subscriptions are at the mini-can, one can or two can level

Subscription Level	Current Subscriptions	% of Total Subscriptions	2019 Est. Revenue (Flat)
Mini-Can	1,780	11%	\$ 382,700
One Cans	7,365	44%	\$ 2,258,755
Two Cans	5,117	30%	\$ 1,864,957
Three Cans	1,769	11%	\$ 737,847
Four or more Cans	811	5%	\$ 374,665
Total	16,842	100%	\$ 5,618,924
Rear Yard Subscriptions	3,403	20%	\$ 714,630
Total Solid Waste Fee Revenue			\$ 6,333,554



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 40%; One can up 14%; Two cans up 4%
 - Three cans down 40%; Four or more cans down 31%
 - Rear Yard down 12%

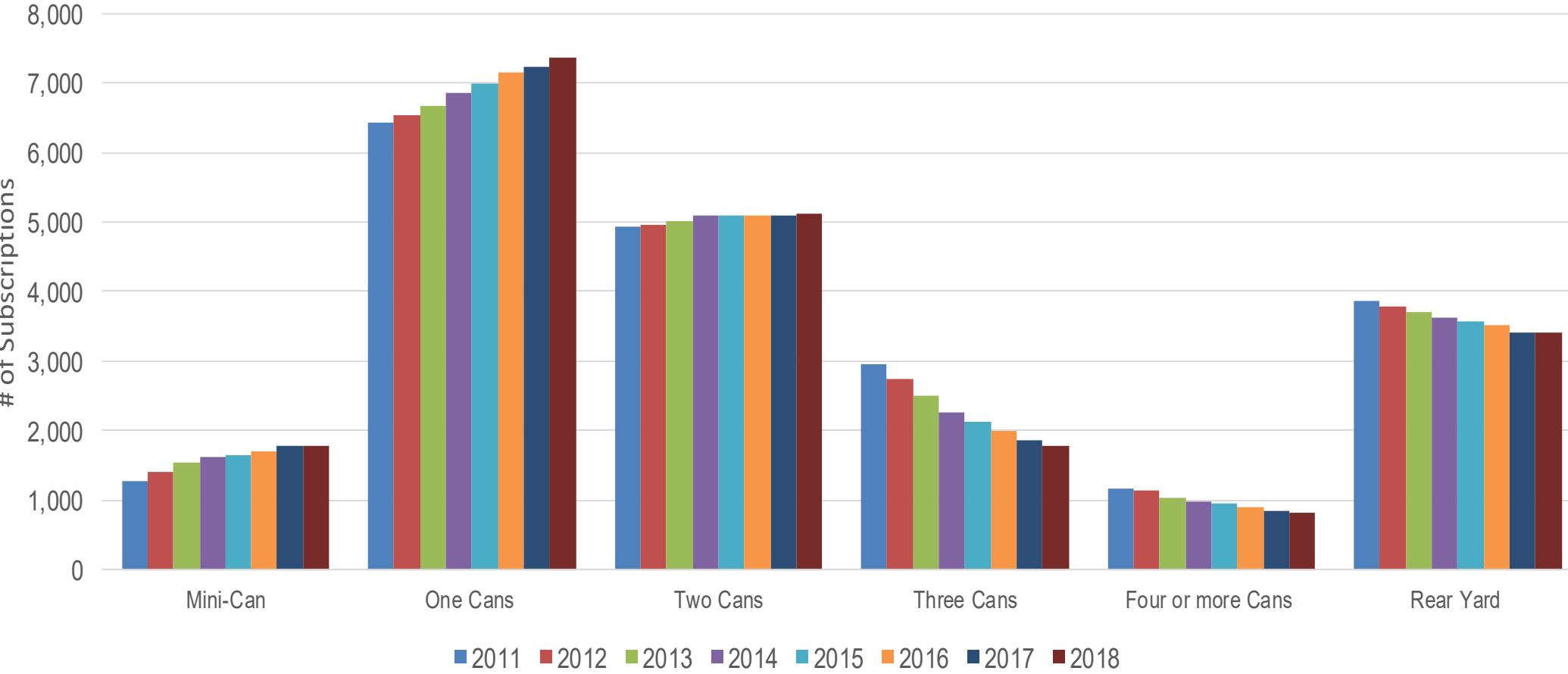
Fee Increase			9%*	5.4%				
Can Level	2011	2012	2013	2014	2015	2016	2017	2018
Mini-Can	1,269	1,405	1,533	1,612	1,635	1,694	1,775	1,780
One Cans	6,437	6,528	6,676	6,848	6,986	7,162	7,232	7,365
Two Cans	4,932	4,968	5,023	5,090	5,100	5,096	5,100	5,117
Three Cans	2,945	2,755	2,513	2,265	2,116	1,997	1,868	1,769
Four or more Cans	1,176	1,128	1,039	985	954	887	851	811
Total	16,759	16,784	16,784	16,800	16,791	16,836	16,826	16,842
Rear Yard	3,865	3,780	3,711	3,612	3,580	3,523	3,423	3,403

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



Solid Waste Fund Subscriptions

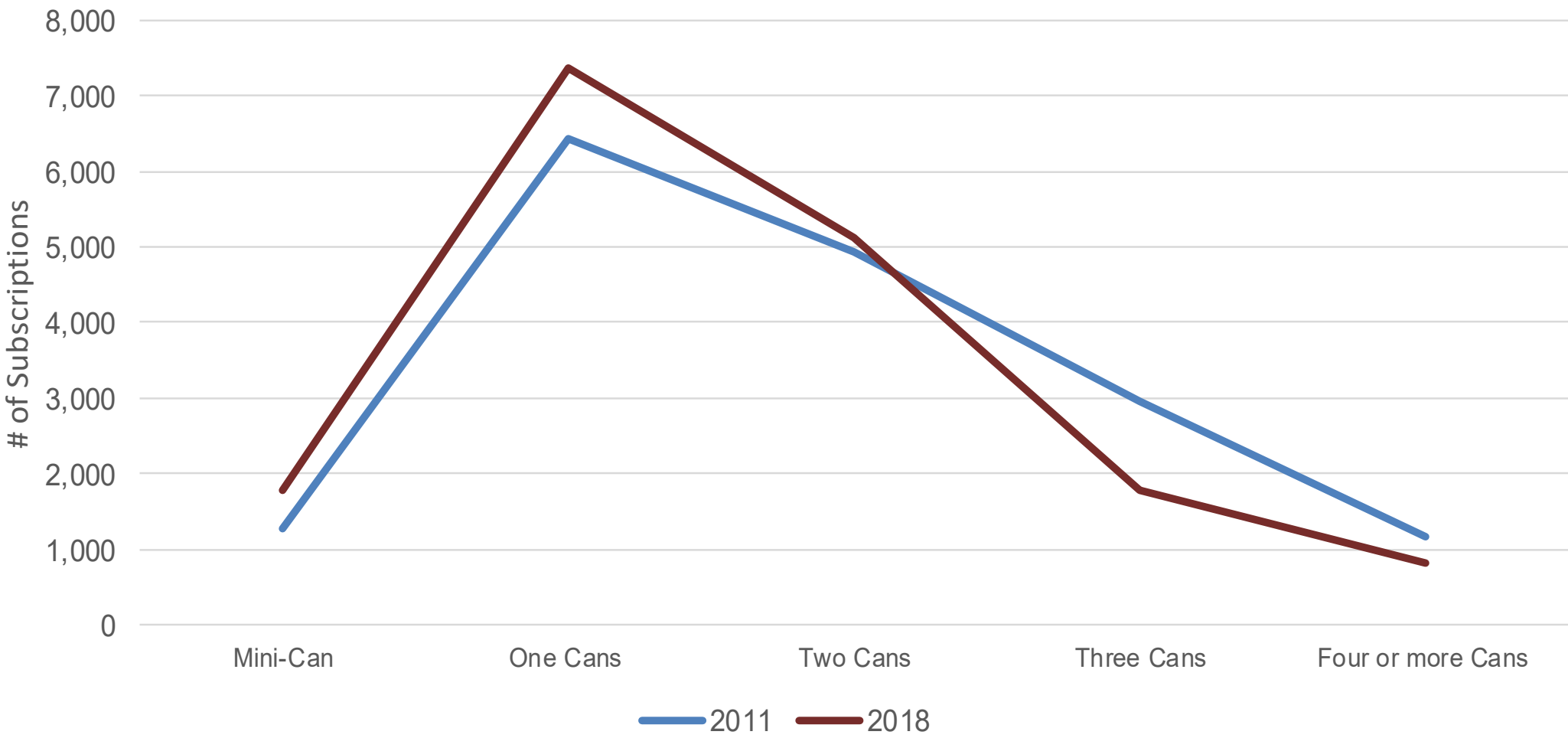
Solid Waste Subscription Levels





Solid Waste Fund Subscriptions

Solid Waste Subscription Levels





Updated Solid Waste Fund Forecast

Solid Waste Fund	Actual 2016	Actual 2017	Forecast 2018	Projected 2019
Beginning fund balance	\$ 0.84	\$ 0.77	\$ 0.57	\$ 0.34
Revenues	\$ 7.61	\$ 7.28	\$ 7.45	\$ 7.29
Expenses	\$ 7.69	\$ 7.47	\$ 7.68	\$ 7.91
Surplus/(deficit)	\$ (0.08)	\$ (0.19)	\$ (0.23)	\$ (0.62)
Ending fund balance	\$ 0.77	\$ 0.57	\$ 0.34	\$ (0.28)
Fund Balance % of Expenses	10.0%	7.7%	4.5%	-3.5%

- Projections show fund balance levels deteriorating rapidly and well below 10% policy level; four straight years (2015-2018) of deficits
- Assumptions
 - No increase in fee levels and no changes to operations/service
 - Trash disposal costs per existing contract



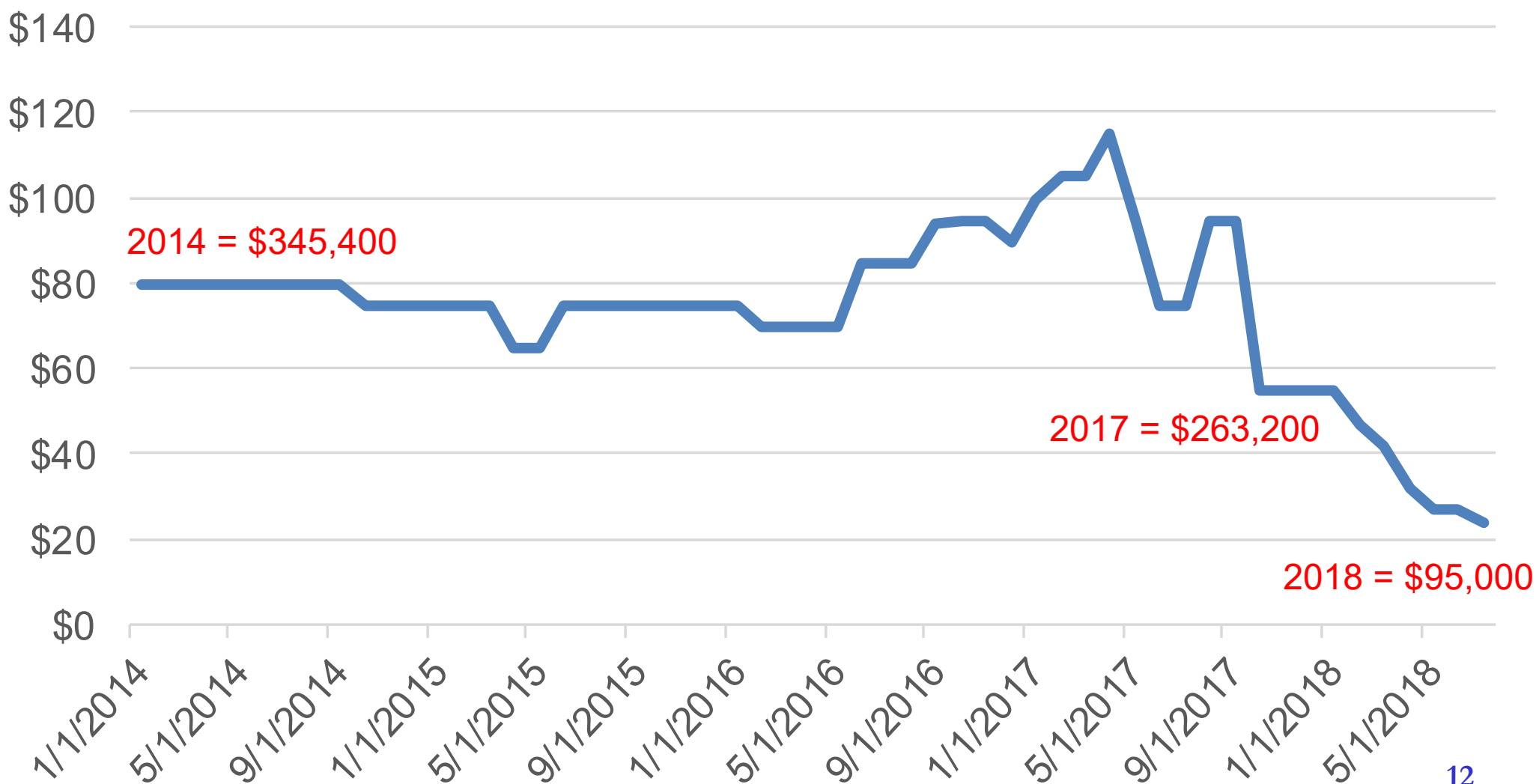
Solid Waste Fund Revenues

- SWF fee revenue growth is minimal absent fee increases; PMHIC refund dollars (\$245,400) have helped in 2018, but may not recur at same rate
- Increased rates at Transfer Station have underperformed estimates
- Recycling grants from PA DEP have been decreasing overall
- Recycled paper market prices had been relatively stable have recently declined precipitously
 - Avg. 2018 = \$36/Ton (current is only \$24/Ton)
 - Dec 2017 = \$55/Ton
 - Dec 2016 = \$90/Ton
 - Dec 2015 = \$75/Ton
 - Dec 2014 = \$75/Ton



Solid Waste Fund Revenues – Paper Prices

Recycled Paper Market Prices





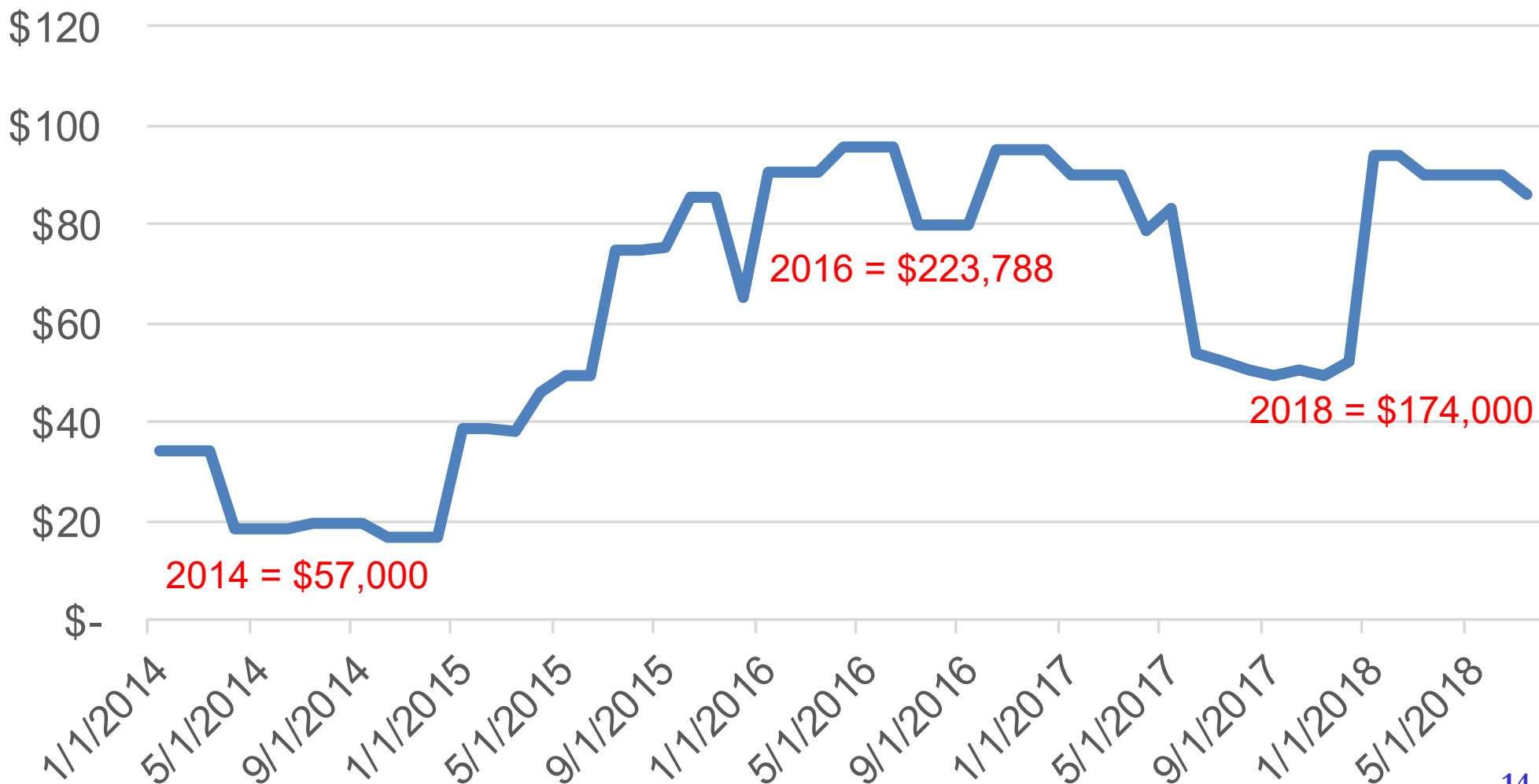
Solid Waste Fund Expenditures

- Tipping fee set by contract with Covanta (2% annual increases)
 - \$66.33/ton in 2017; \$1.16 million total
 - \$67.65/ton in 2018; \$1.22 million total
 - \$69.01/ton in 2019; \$1.25 million total (last year of contract)
- Commingled disposal costs have risen again and averaged over \$90/ton through July. Recent changes to Transfer Station will provide some cost relief but still at mercy of global markets
- Labor costs (wages and employee benefits) = \$4.2 million (2018)
- Vehicle rental rates for Equipment Fund = \$923,500 (2018)
- Transfer to General Fund for indirect costs = \$951,800 (2018)
- These costs represent 96.8% of 2018 projected SWF expenditures



Solid Waste Expenditures – Commingled Hauling

Commingled Price History





Solid Waste Fund Fee Options





Solid Waste Fund Fee Options for 2019

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

Solid Waste Fund	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast
Beginning Fund Balance	\$ 0.57	\$ 0.34	\$ (0.29)	\$ (1.09)
Revenues	\$ 7.44	\$ 7.29	\$ 7.25	\$ 7.20
Expenses	\$ 7.67	\$ 7.91	\$ 8.05	\$ 8.21
Surplus/(Deficit)	\$ (0.23)	\$ (0.62)	\$ (0.80)	\$ (1.01)
Ending Fund Balance	\$ 0.34	\$ (0.29)	\$ (1.09)	\$ (2.10)
Ending FB (% of Operating Expenditures)	4.4%	-3.7%	-13.5%	-25.6%
Option 1: 7.5% Fee Increase				
Additional Solid Waste Fee Billable		\$ 0.44	\$ 0.44	\$ 0.44
Ending Fund Balance		\$ 0.16	\$ (0.21)	\$ (0.78)
Ending FB (% of Operating Expenditures)		2.0%	-2.5%	-9.5%
Option 2: 10% Fee Increase				
Additional Solid Waste Fee Billable		\$ 0.59	\$ 0.59	\$ 0.59
Ending Fund Balance		\$ 0.31	\$ 0.11	\$ (0.31)
Ending FB (% of Operating Expenditures)		4.0%	1.3%	-3.8%
Option 3: 12.5% Fee Increase				
Additional Solid Waste Fee Billable		\$ 0.76	\$ 0.76	\$ 0.76
Ending Fund Balance		\$ 0.48	\$ 0.43	\$ 0.18
Ending FB (% of Operating Expenditures)		6.0%	5.4%	2.2%



Summary of Solid Waste Fund Fee Increase Options

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

SWF Can Level	2018	+ 7.5%	Annual Increase	+ 10%	Annual Increase	+ 12.5%	Annual Increase
Mini-Can	\$ 215	\$ 231	\$ 16	\$ 237	\$ 22	\$ 242	\$ 27
1 Can	\$ 307	\$ 329	\$ 22	\$ 338	\$ 31	\$ 345	\$ 38
2 Cans	\$ 368	\$ 394	\$ 26	\$ 405	\$ 37	\$ 412	\$ 44
3 Cans	\$ 429	\$ 459	\$ 30	\$ 472	\$ 43	\$ 479	\$ 50
4 Cans	\$ 490	\$ 524	\$ 34	\$ 539	\$ 49	\$ 546	\$ 56
5 Cans	\$ 551	\$ 589	\$ 38	\$ 606	\$ 55	\$ 613	\$ 62
6 Cans	\$ 612	\$ 654	\$ 42	\$ 673	\$ 61	\$ 680	\$ 68
7 Cans	\$ 673	\$ 719	\$ 46	\$ 740	\$ 67	\$ 747	\$ 74
8 Cans	\$ 734	\$ 784	\$ 50	\$ 807	\$ 73	\$ 814	\$ 80
Rear Yard	\$ 210	\$ 226	\$ 16	\$ 231	\$ 21	\$ 236	\$ 26



Solid Waste Fund Fee Increase Options: Generate Additional ~\$600,000

		Data				
		2019	2020	2021	2022	2023
SWF Assumptions	On-Going Cans Rate	67	67	67	67	67
	On-Going Minis Rate	237	237	237	237	237
	On-Going Units Rate	271	271	271	271	271
	On-Going RY Rate	231	231	231	231	231
	Cans Rate Increase (%)	10%	0%	0%	0%	0%
	Minis Rate Increase (%)	10%	0%	0%	0%	0%
	Units Rate Increase (%)	10%	0%	0%	0%	0%
	RY Rate Increase (%)	10%	0%	0%	0%	0%

Solid Waste Fees - Subscription Differential

	2018	2019	diff	% diff
SWF - Subscription				
SWF - Rear Yard	210	231	21	10.0%
SWF - Mini	215	237	22	10.2%
SWF - 1 Can	307	338	31	10.1%
SWF - 2 Can	368	405	37	10.1%
SWF - 3 Can	429	472	43	10.0%
SWF - 4 Can	490	539	49	10.0%
SWF - 5 Can	551	606	55	10.0%
SWF - 6 Can	612	673	61	10.0%
SWF - 7 Can	673	740	67	10.0%
SWF - 8 Can	734	807	73	9.9%

		Data				
		2019	2020	2021	2022	2023
SWF Assumptions	On-Going Cans Rate	49	49	49	49	49
	On-Going Minis Rate	252	252	252	252	252
	On-Going Units Rate	295	295	295	295	295
	On-Going RY Rate	246	246	246	246	246
	Cans Rate Increase (%)	-20%	0%	0%	0%	0%
	Minis Rate Increase (%)	17%	0%	0%	0%	0%
	Units Rate Increase (%)	20%	0%	0%	0%	0%
	RY Rate Increase (%)	17%	0%	0%	0%	0%

Solid Waste Fees - Subscription Differential

	2018	2019	diff	% diff
SWF - Subscription				
SWF - Rear Yard	210	246	36	17.1%
SWF - Mini	215	252	37	17.2%
SWF - 1 Can	307	344	37	12.1%
SWF - 2 Can	368	393	25	6.8%
SWF - 3 Can	429	442	13	3.0%
SWF - 4 Can	490	491	1	0.2%
SWF - 5 Can	551	540	(11)	(2.0%)
SWF - 6 Can	612	589	(23)	(3.8%)
SWF - 7 Can	673	638	(35)	(5.2%)
SWF - 8 Can	734	687	(47)	(6.4%)



Solid Waste Fund Fee Options

- The labor intensive nature of trash and recycling collection make it difficult to significantly reduce costs without having a direct impact on service delivery
- While there are limited options outside of fee increases that would have a significant impact on the fund's financial position there remain options the Board may wish to consider
 - Eliminate one Clean-Up Weekend annually (\$27,000)
 - Purchase of Big Belly containers for business districts from General Fund (\$90,000)
 - Reduce GF indirect cost level (currently \$951,800); this would impact the General Fund's financial position
 - Restructure Rear Yard Disability Waiver program (up to \$74,000)
 - Eliminate Electronic Collection events (\$10,000)



Solid Waste Fund Fee Options

- Mini-Can Level
 - The pricing for a Mini-Can does not reflect the total operational costs of solid waste collection resulting in an overall subsidy to Mini-Can subscribers
- Rear Yard Collection Fee
 - Has been exempted from 2 of 3 rate increases since 2010
 - Otherwise would be \$241 currently which would still be below comparable area municipalities in Radnor (\$420) and Easttown (\$325)
- Mandated Collection of Multi-Unit Properties
 - Currently multi-units properties up to 4 units must use Township for trash collection
 - Increase to this level might increase revenue but also would raise operational issues (e.g. excess cans, dumpsters)



Solid Waste Fee Next Steps

- BOC decision on the appropriate SWF fee level for 2019
- 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 2019 Solid Waste Fee Schedule
- Solid Waste subscription change cards mailed to customers (tentatively scheduled for mid-to-late November)
- 2019 Solid Waste Bill is included with tax bill mailed Jan 31st