

Township of Lower Merion Solid Waste Fund 2025 Financial Forecast



Finance Committee
September 11, 2024





Overview of Presentation

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



Solid Waste Fund (SWF) Overview

- Solid Waste Fund (SWF) is an Enterprise Fund with user fees set for full cost recovery.
- Township financial policy calls for Township to strive to maintain 10% fund balance level for emergencies and contingencies.
- Refuse Division provides trash and recycling collection services for nearly 16,900 residential customers and collects annually:
 - 15,500 tons of trash
 - 3,000 tons of recycled paper
 - 2,000 tons of commingled recyclable products



Solid Waste Fund (SWF) Overview

- Cost pressures continue to stress the financial soundness of the SWF.
- Minimal policy levers to raise revenue absent fee increases. Some positive 2024 trends have helped in the short-term:
 - Paper recycling revenue has improved compared to 2023
 - Interest rate revenue will peak in 2024
- Projections anticipate a year-end SWF balance of \$230,000 or 2.5% of expenses.
- Current rates are insufficient to maintain positive fund balance in 2025.



Solid Waste Subscription History





Solid Waste Fund Fee History

- 2013: +9.0% (except Rear Yard Fee)
- 2014: +5.4%
- 2017: +5.0% (except Rear Yard Fee)
- 2019: +10%
- 2021: Fees Restructured
- 2024: +10%

SWF Can Level	2010-2012	2013	2014-2016	2017-2018	2019-2020	SWF Can Level	2021-2023	2024
Mini-Can	\$179	\$195	\$205	\$215	\$237	Mini-Can	\$255	\$281
1 Can	\$254	\$277	\$292	\$307	\$338	Standard 1-2 cans	\$380	\$418
2 Cans	\$304	\$332	\$350	\$368	\$405			
3 Cans	\$354	\$387	\$408	\$429	\$472	Enhanced 3-4 cans	\$530	\$583
4 Cans	\$404	\$442	\$466	\$490	\$539			
5 Cans	\$454	\$497	\$524	\$551	\$606			
6 Cans	\$504	\$552	\$582	\$612	\$673			
7 Cans	\$554	\$607	\$640	\$673	\$740			
8 Cans	\$604	\$662	\$698	\$734	\$807			
Rear Yard	+\$200	+\$200	+\$210	+\$210	+\$231	R.Y Mini	+\$200	+\$220
						R.Y Standard	+\$250	+\$275
						R.Y Enhanced	+\$300	+\$330



Solid Waste Fund Subscriptions

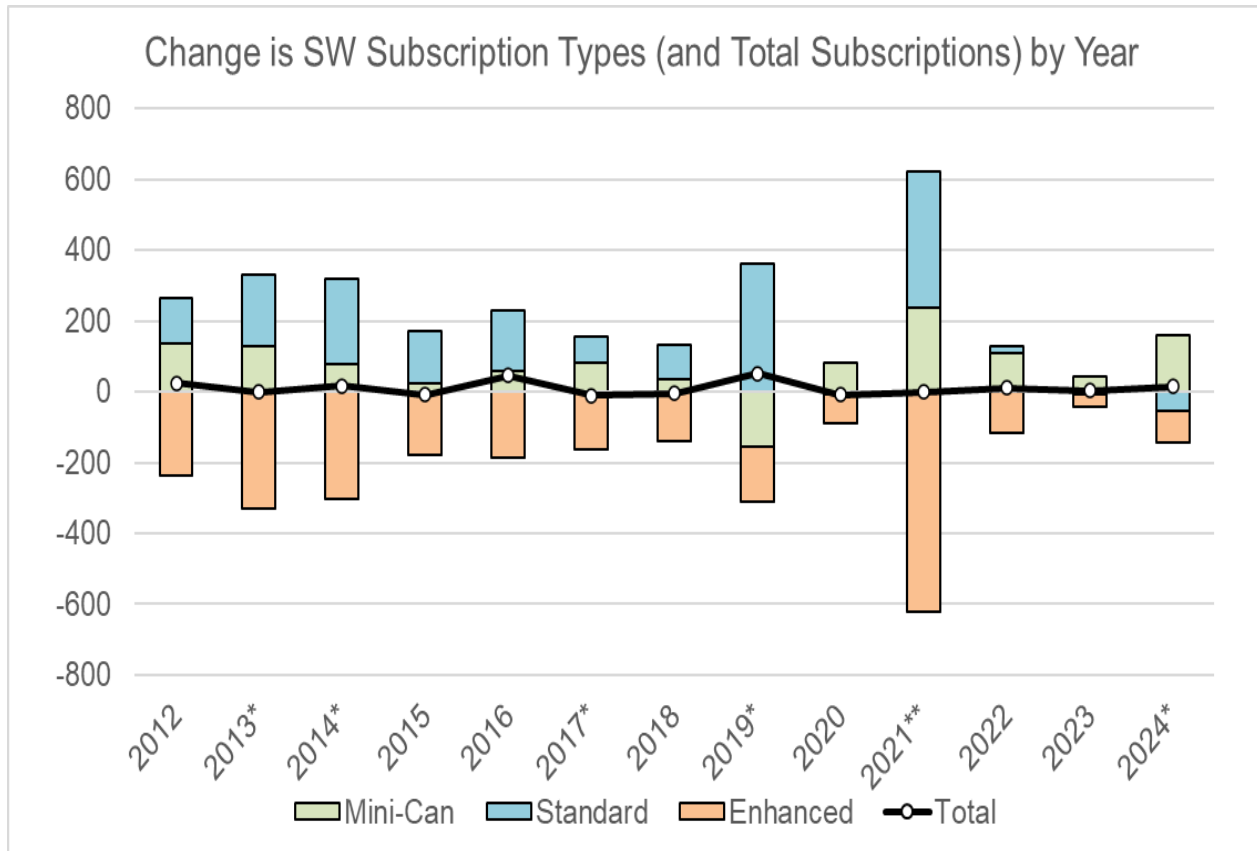
- 16,892 subscriptions overall (14 more than last year)
 - Fees are structured to provide financial incentives to reduce trash volume by households
 - Over 90% of subscriptions are at the mini-can or standard levels which is part of a multi-year trend

Subscription Levels	Current Subscriptions	% of Total Subscriptions	2024 Est. Revenue (Flat)
Mini-Can	2,287	13.5%	\$642,647
Standard	13,123	77.7%	\$5,485,414
Enhanced	1,482	8.8%	\$864,006
Total	16,892	100.0%	\$6,992,067
RY-Mini-Can	143	4.9%	\$31,460
RY-Standard	2,178	75.2%	\$598,950
RY-Enhanced	576	19.9%	\$190,080
Total	2,897	100.0%	\$820,490
Total RY %	17.2%	Total SWF Revenue	\$7,812,557



Solid Waste Fund Subscriptions

- Residents have continued to transition to reduced subscription levels and rear yard subscriptions have fallen consistently on an annual basis



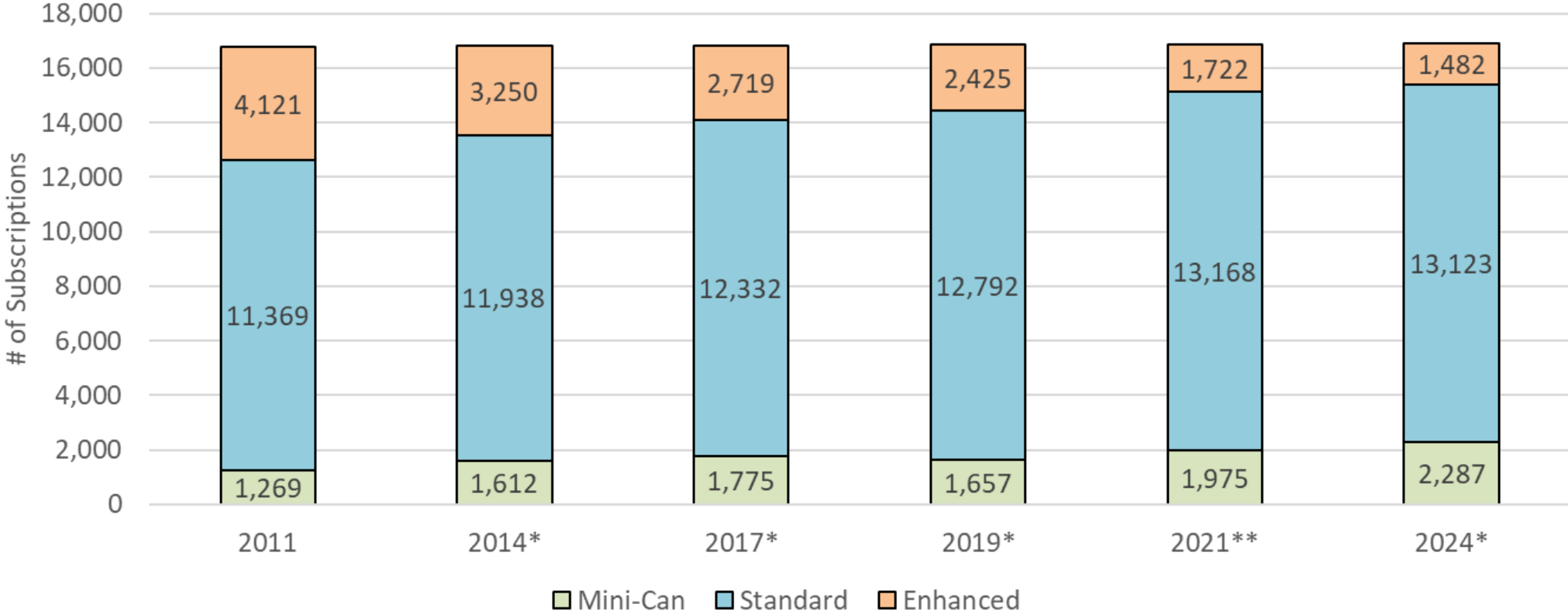
2024 Changes

- +158 Mini-Can customers
 - (2023: + 44)
- 54 Standard customers
 - (2023: -8)
- 90 Enhanced customers
 - (2023: -33)
- 47 Rear Yard (RY) customers (2023: -55)
 - RY has fallen from 23.1% to 17.2% of customers since 2011



Solid Waste Fund Subscriptions

Solid Waste Subscription Levels by Selected Year



*Years with rate increase

** 2021: Rate restructuring



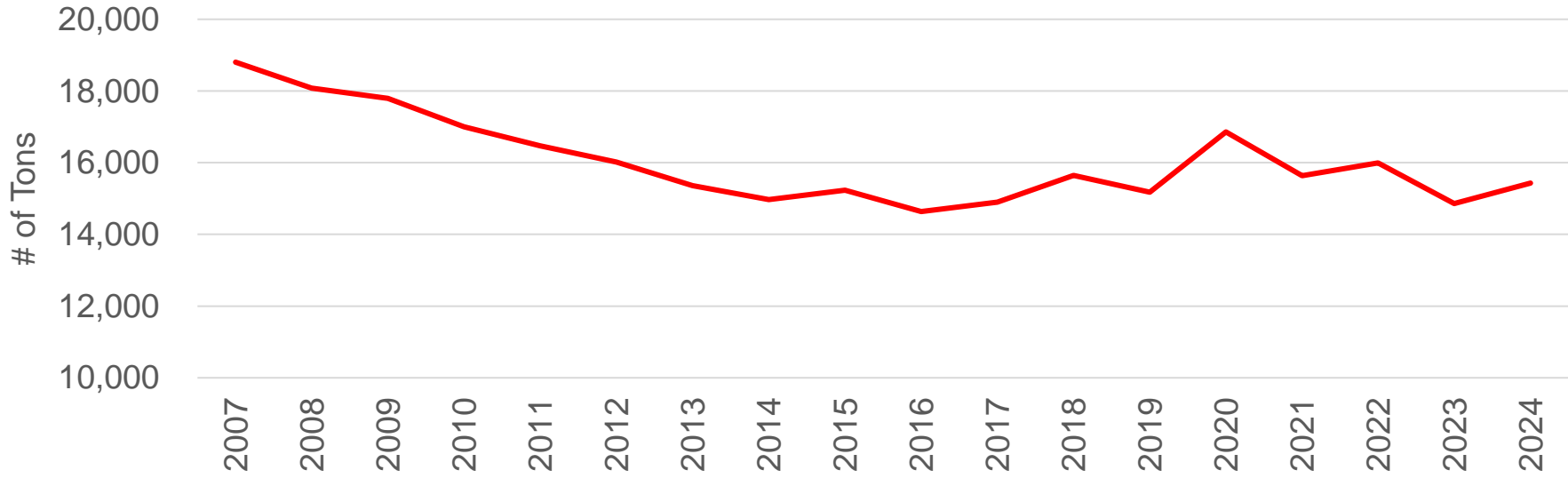
Solid Waste Fund History & Financial Performance



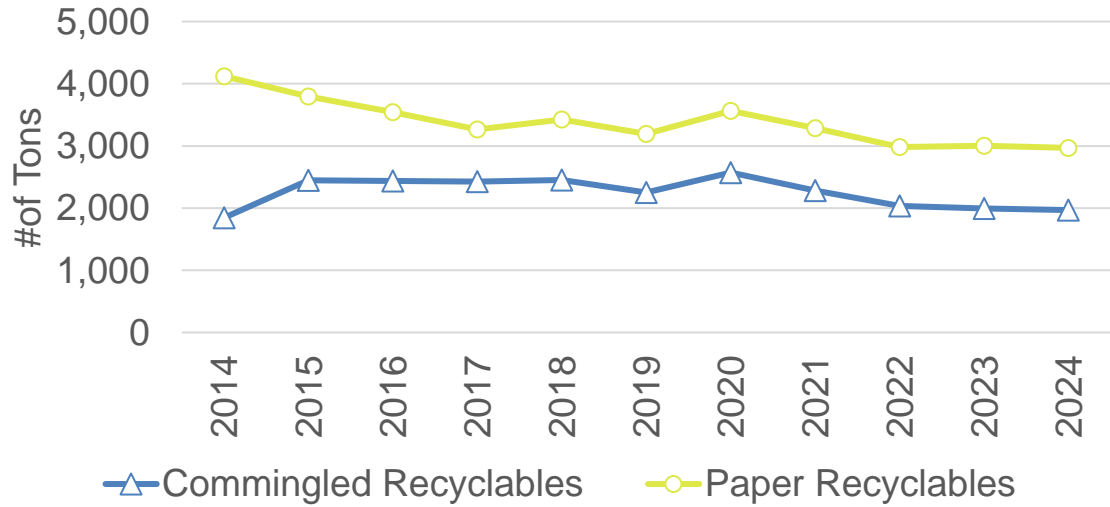


Solid Waste Tonnage History

Annual Refuse Tonnage



Annual Recyclable Tonnage

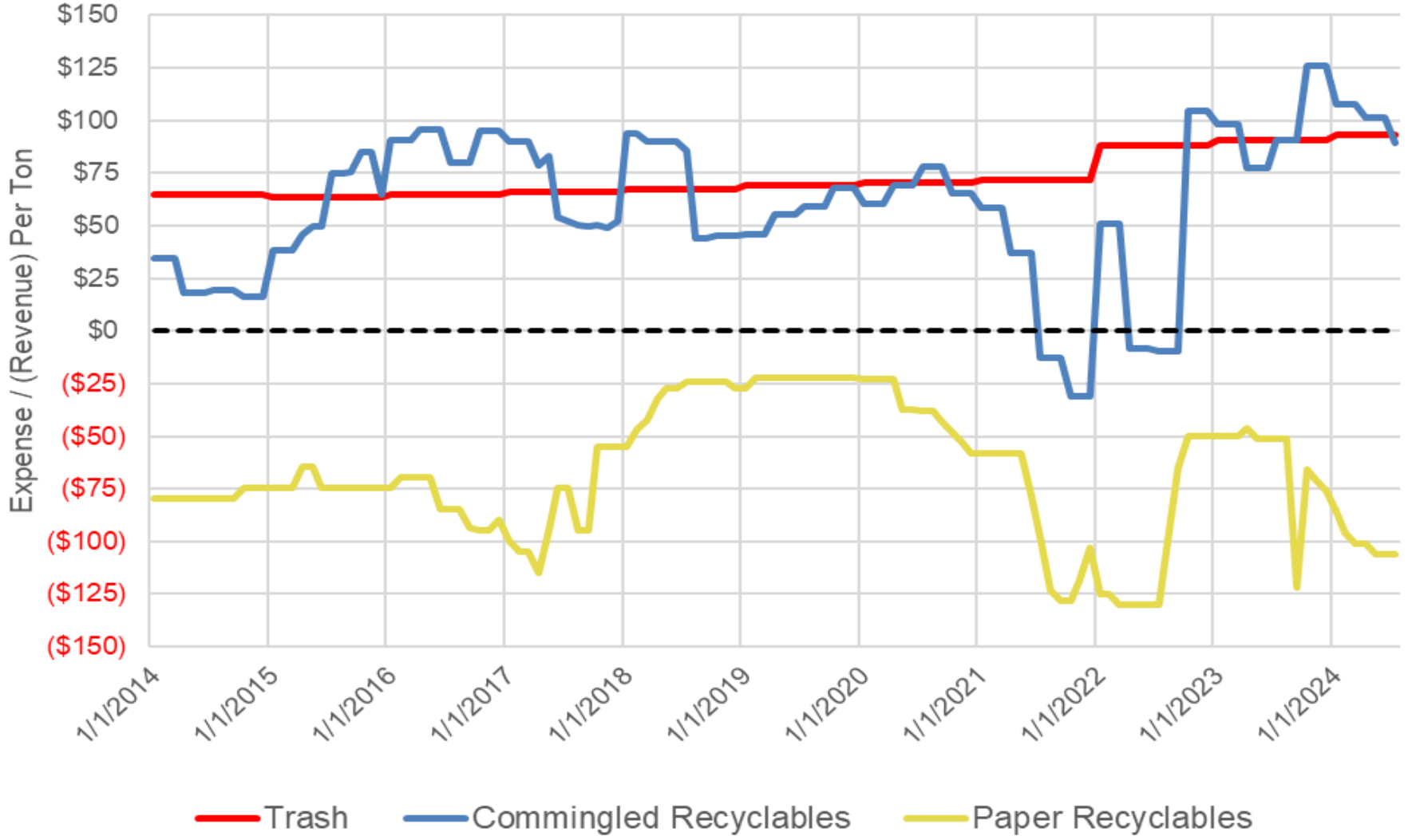


- Refuse tonnage collected has averaged 15,500/yr since 2018 (excluding 2020 COVID year impact)
- Commingled and paper tonnage both slightly lower than mid-late 2010s



Solid Waste Fund – Refuse/Commingled/Paper Price History

Trash / Commingled / Paper Expense/(Revenue) Per Ton

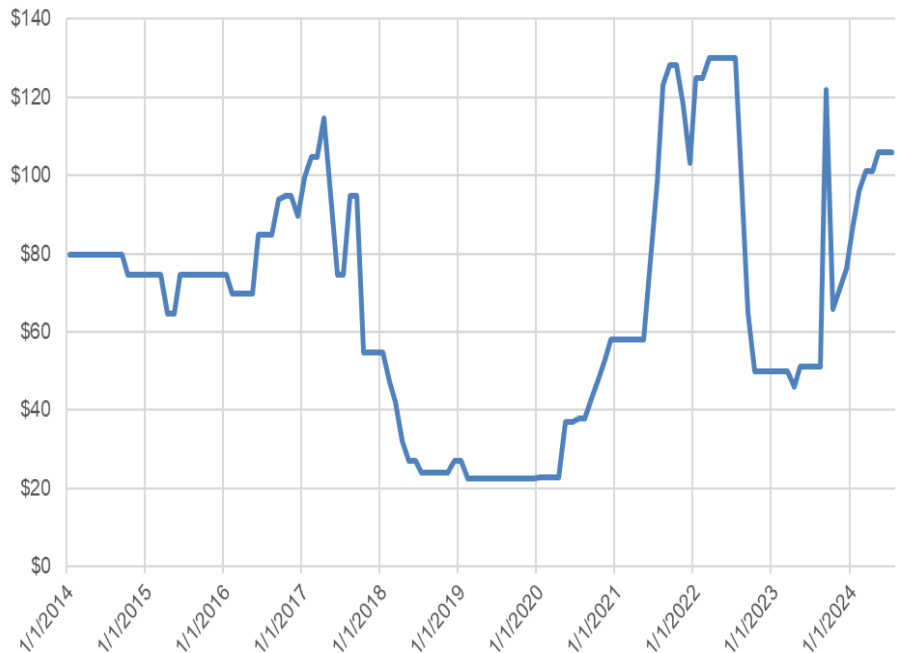




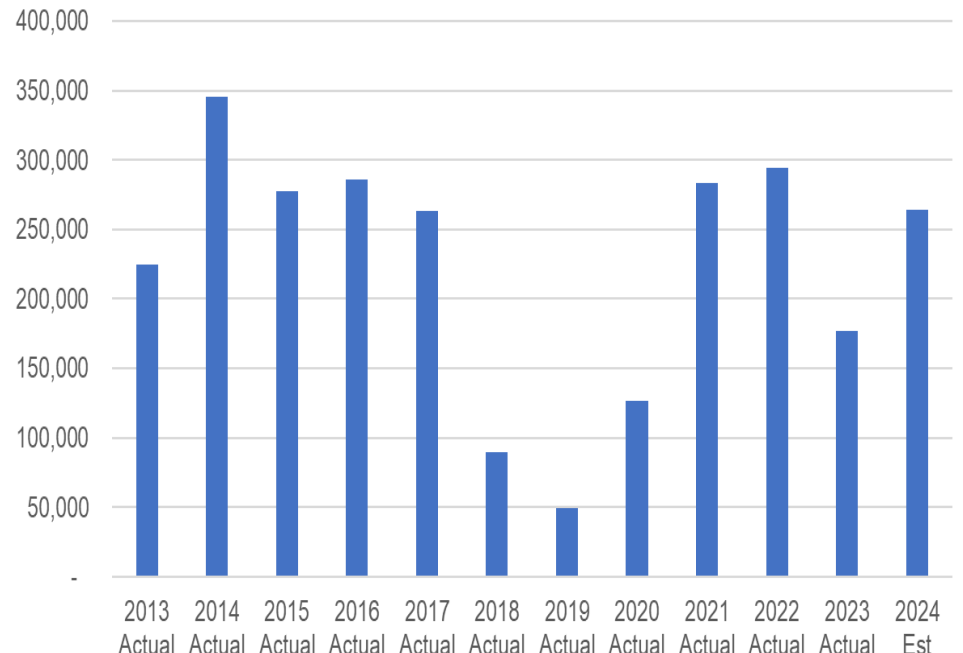
Solid Waste Fund Revenues

- SWF fee revenue growth is constrained absent fee increases;
 - Charges for services growth is minimal at best
 - Recycling grants fund from PA DEP have declined over time
- Recycled paper market prices rebounded in 2024 (\$100/ton average YTD) from 2023 rates (\$61/ton average). Pre-2023 had larger extremes in pricing on the low end (2018-2020) and high end (mid-2021 to mid-2022)

Recycled Paper Market Prices



Paper Recycling Revenue by Year





Solid Waste Fund Expenditures

- Tipping fee set by contract (3% annual increases through 2026)
 - \$71.80/ton in 2021; \$1.23 million total
 - \$88.13/ton in 2022; \$1.42 million total
 - \$90.77/ton in 2023; \$1.44 million total
 - \$93.50/ton in 2024; \$1.48 million projected
- Commingled recyclable costs are still high compared to historic rates (2024 disposal cost estimate: \$200,000)
- Labor costs (wages and employee benefits) = \$4.9 million (2024)
- Vehicle rental rates for Equipment Fund = \$1.45 million (2024)
- Transfer to General Fund for indirect costs = \$601,800 (2024)
- These costs represent 96% of 2024 projected SWF expenditures



Solid Waste Fund Expenditures

- Certain cost categories have risen substantially over the last several years. The following compares cost increases from 2024 compared to 2020:
 - Equipment Fund rental rates up \$400k or 35%
 - Trash disposal up \$200k or 14%
 - Property insurance up \$145k or over 200%
- These cost increases combined and combined with flat revenue indicate the need additional solid waste fee increases.
- Despite these cost pressures, the 2024 expenditure forecast is within \$20,000 of budget.



Solid Waste Fund Financial Trends

	2024 Adopted Budget	2024 Forecast (Sept 2024)	\$ Variance	% Variance
Solid Waste Fund Revenues				
Solid Waste Fees	\$ 7,733,900	\$ 7,737,639	\$ 3,739	0.0%
Departmental Earnings	480,000	581,500	101,500	21.1%
Investment Income	135,000	140,000	5,000	3.7%
All Other Revenues (Net)	369,550	373,000	3,450	0.9%
Total Revenues	8,718,450	8,832,139	113,689	1.3%

	2024 Adopted Budget	2024 Forecast (Sept 2024)	\$ Variance	% Variance
Solid Waste Fund Expenses				
Comingled Disposal	\$ 170,000	\$ 200,000	\$ 30,000	17.6%
Employee Benefits	1,151,382	1,151,411	29	0.0%
Township Equipment Rental	1,452,243	1,452,243	-	0.0%
All other Expenditures (Net)	1,095,606	1,091,641	(3,965)	-0.4%
Salaries and other Compensation	3,731,296	3,709,425	(21,871)	-0.6%
Refuse Disposal	1,500,000	1,475,000	(25,000)	-1.7%
Total Expenses	9,100,527	9,079,720	(20,807)	-0.2%



Solid Waste Fund Forecast and Fee Discussion





Updated Solid Waste Fund Forecast

Solid Waste Fund	Actual 2022	Actual 2023	Forecast 2024	Projected 2025
Beginning fund balance	\$ 1.01	\$ 1.18	\$ 0.48	\$ 0.23
Revenues	\$ 8.10	\$ 8.11	\$ 8.83	\$ 8.69
Expenses	\$ 7.93	\$ 8.81	\$ 9.08	\$ 9.56
Surplus/(deficit)	\$ 0.17	\$ (0.70)	\$ (0.25)	\$ (0.87)
Ending fund balance	\$ 1.18	\$ 0.48	\$ 0.23	\$ (0.64)
Fund Balance % of Expenditures	14.9%	5.4%	2.5%	-6.7%

- Baseline projections show fund balance level dropping below the 10% policy goal in 2023 and going negative in 2025
- Baseline assumptions includes no increase in annual solid waste fee levels and maintenance of current refuse/recycling operations/service, trash disposal costs per existing contract



Updated Solid Waste Fund Forecast

- Given the current forecast, there is a pressing need to take policy action.
 - The following pages show fee options between 5% and 20% to illustrate the impact on 2025 financials.
 - The Board could also waive part or all the remaining interfund charges, thus reducing SWF expenses but also other fund revenues:
 - 2024 transfers from SWF to the General Fund which helps offset the latter's indirect costs for Solid Waste:
 - ❖ \$300,900 outstanding
 - 2024 equipment charges from SWF to the Equipment Fund:
 - ❖ \$477,000 outstanding



Summary of Solid Waste Fund Fee Increase Options

- Current SWF fees compared to fee increase options the Board may wish to consider. Additional Revenue figures assume higher subscription substitution with higher rate increases

SWF Can Level	2024	2025 5% inc	2025 10% inc	2025 15% inc	2025 20% inc
Mini-Can	\$281	\$295	\$309	\$323	\$337
Standard 1-2 cans	\$418	\$439	\$460	\$481	\$502
Enhanced 3-4 cans	\$583	\$612	\$641	\$670	\$700
RY Mini	\$220	\$231	\$242	\$253	\$264
RY Standard	\$275	\$289	\$303	\$316	\$330
RY Enhanced	\$330	\$347	\$363	\$380	\$396
Additional Revenue		\$375k	\$727k	\$1,078k	\$1,406k



Summary of Solid Waste Fund Fee Increase Options

Solid Waste Fund	2025 Projected	2025 +5% Rates	2025 +10% Rates	2025 +15% Rates	2025 +20% Rates
Beginning Fund Balance	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23
Revenues	\$ 8.69	\$ 9.07	\$ 9.42	\$ 9.77	\$ 10.10
Expenses	\$ 9.56	\$ 9.56	\$ 9.56	\$ 9.56	\$ 9.56
Surplus/(Deficit)	\$ (0.87)	\$ (0.50)	\$ (0.14)	\$ 0.21	\$ 0.54
Ending Fund Balance	\$ (0.64)	\$ (0.27)	\$ 0.09	\$ 0.44	\$ 0.76
Ending FB (% of Expenditures)	-6.7%	-2.8%	0.9%	4.6%	8.0%
Including 2024 Waiver (General Fund or EF) of \$300,000					
Beginning Fund Balance	\$ 0.53	\$ 0.53	\$ 0.53	\$ 0.53	\$ 0.53
Ending Fund Balance	\$ (0.34)	\$ 0.03	\$ 0.39	\$ 0.74	\$ 1.07
Ending FB (% of Expenditures)	-3.6%	0.4%	4.0%	7.7%	11.1%

- 5% rate increase is insufficient to maintain positive fund balance absent other policy measures.
- 10% rate increase still projects to a small 2025 deficit, would likely need to be paired with 2024 cost waiver to improve starting 2025 position.
- 15% generates \$210k surplus to build FB back to ~5% without interfund waiver
- 20% for illustrative purposes builds FB back toward policy goal in 1 year.



Solid Waste Fund Next Steps

- While the Board may have questions and want further discussion on this topic, there is also a need to move quickly.
 - Any solid waste fee increase requires an ordinance to be adopted by the Board which would need to occur prior to the end of October.
 - Solid waste fee subscription change mailing would then go out to customers in early-mid November explaining the rationale for a fee increase and providing the option to customers to switch their subscription level.
- 2025 Solid Waste Bill is included with tax bill mailed Jan 31st.