

Township of Lower Merion Solid Waste Fund 2020 Financial Forecast



Finance Committee
September 11, 2019





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 16,875 residential customers and collects annually
 - 18,000 tons of trash
 - 3,500 tons of recycled paper
 - 2,300 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
- 2019 SWF fees increased by 10%
- 2.9% compounded annual growth rate in SWF fees since 2010

SWF Can Level	2010-2012	2013	2014-2016	2017	2017-2018	2019
Mini-Can	\$ 179	\$ 195	\$ 205	\$ 215	\$ 215	\$ 237
1 Can	\$ 254	\$ 277	\$ 292	\$ 307	\$ 307	\$ 338
2 Cans	\$ 304	\$ 332	\$ 350	\$ 368	\$ 368	\$ 405
3 Cans	\$ 354	\$ 387	\$ 408	\$ 429	\$ 429	\$ 472
4 Cans	\$ 404	\$ 442	\$ 466	\$ 490	\$ 490	\$ 539
5 Cans	\$ 454	\$ 497	\$ 524	\$ 551	\$ 551	\$ 606
6 Cans	\$ 504	\$ 552	\$ 582	\$ 612	\$ 612	\$ 673
7 Cans	\$ 554	\$ 607	\$ 640	\$ 673	\$ 673	\$ 740
8 Cans	\$ 604	\$ 662	\$ 698	\$ 734	\$ 734	\$ 807
Rear Yard	\$ 200	\$ 200	\$ 210	\$ 210	\$ 210	\$ 231



Solid Waste Fund Subscriptions

- Nearly 16,875 subscriptions (at over 16,330 individual locations)
 - Fees based on can level provide incentives to reduce trash
 - 86% of subscriptions are at the mini-can, one or two can level

Subscription Level	Current Subscriptions	% of Total Subscriptions	2020 Est. Revenue (Flat)
Mini-Can	1,657	10%	\$ 392,709
One Cans	7,588	45%	\$ 2,562,219
Two Cans	5,204	31%	\$ 2,088,010
Three Cans	1,652	10%	\$ 754,610
Four or more Cans	773	5%	\$ 390,615
Total	16,874	100%	\$ 6,188,163
Rear Yard Subscriptions	3,302	20%	\$ 762,762
Total Solid Waste Fee Revenue			\$ 6,950,925



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 31%; One can up 18%; Two cans up 6%
 - Three cans down 44%; Four or more cans down 34%
 - Rear Yard down 15%

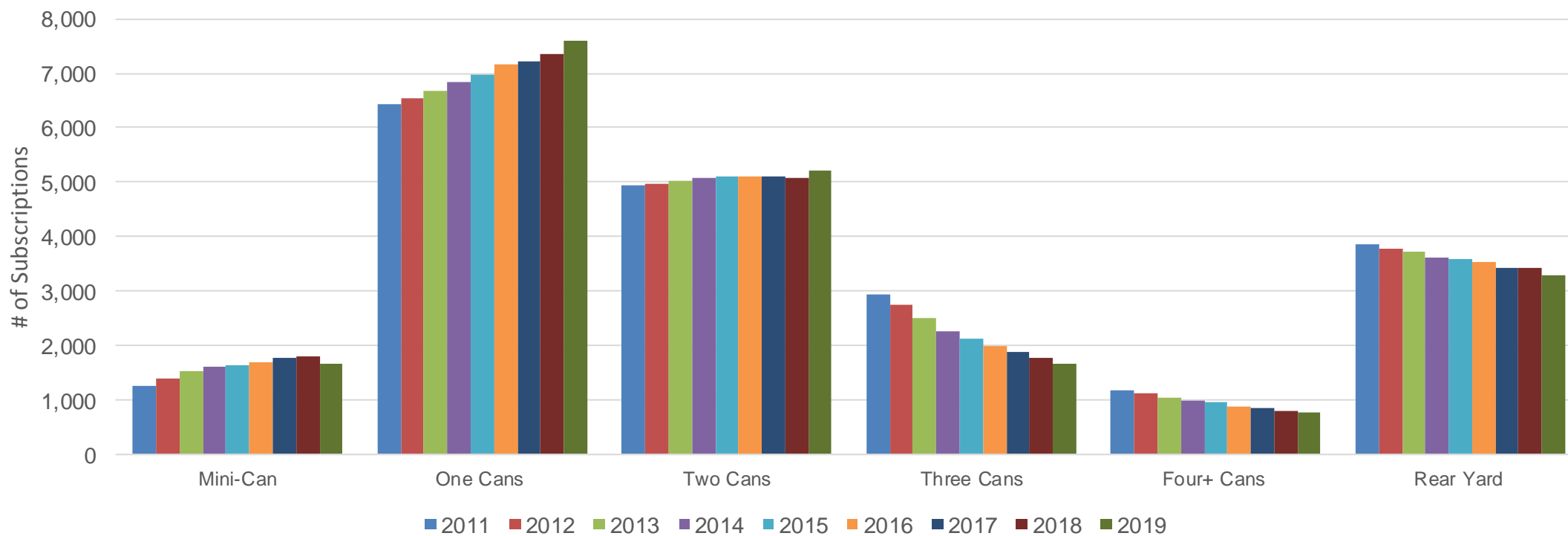
Fee Increase	9%*		5.4%		5%*		10%		
Can Level	2011	2012	2013	2014	2015	2016	2017	2018	2019
Mini-Can	1,269	1,405	1,533	1,612	1,635	1,694	1,775	1,811	1,657
One Cans	6,437	6,528	6,676	6,848	6,986	7,162	7,232	7,346	7,588
Two Cans	4,932	4,968	5,023	5,090	5,100	5,096	5,100	5,084	5,204
Three Cans	2,945	2,755	2,513	2,265	2,116	1,997	1,868	1,772	1,652
Four+ Cans	1,176	1,128	1,039	985	954	887	851	809	773
Total	16,759	16,784	16,784	16,800	16,791	16,836	16,826	16,822	16,874
Rear Yard	3,865	3,780	3,711	3,612	3,580	3,523	3,423	3,414	3,302

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



Solid Waste Fund Subscriptions

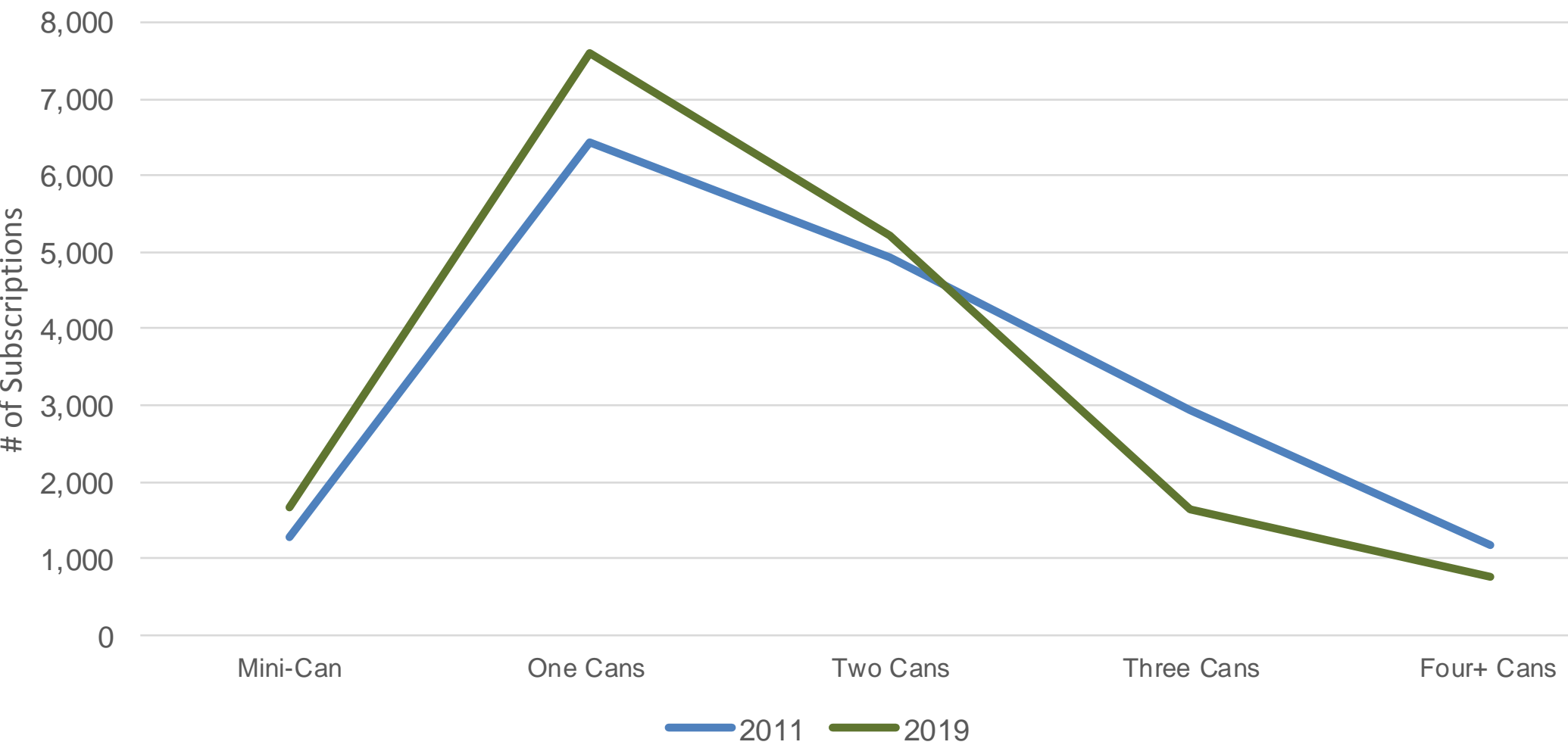
Solid Waste Subscription Levels





Solid Waste Fund Subscriptions

Solid Waste Subscription Levels





Updated Solid Waste Fund Forecast

Solid Waste Fund	Actual 2017	Actual 2018	Forecast 2019	Projected 2020
Beginning fund balance	\$ 0.77	\$ 0.58	\$ 0.14	\$ 0.49
Revenues	\$ 7.29	\$ 7.39	\$ 7.68	\$ 7.67
Expenses	\$ 7.48	\$ 7.82	\$ 7.34	\$ 8.00
Surplus/(deficit)	\$ (0.19)	\$ (0.43)	\$ 0.34	\$ (0.33)
Ending fund balance	\$ 0.58	\$ 0.14	\$ 0.49	\$ 0.16
Fund Balance % of Expenditures	7.7%	1.8%	6.6%	1.9%

- Projections show fund balance level below 10% policy level prior to any further adjustments to the baseline forecast
- Assumptions
 - No increase in fee levels and no changes to operations/service
 - Trash disposal costs per existing contract



Solid Waste Fund Revenues

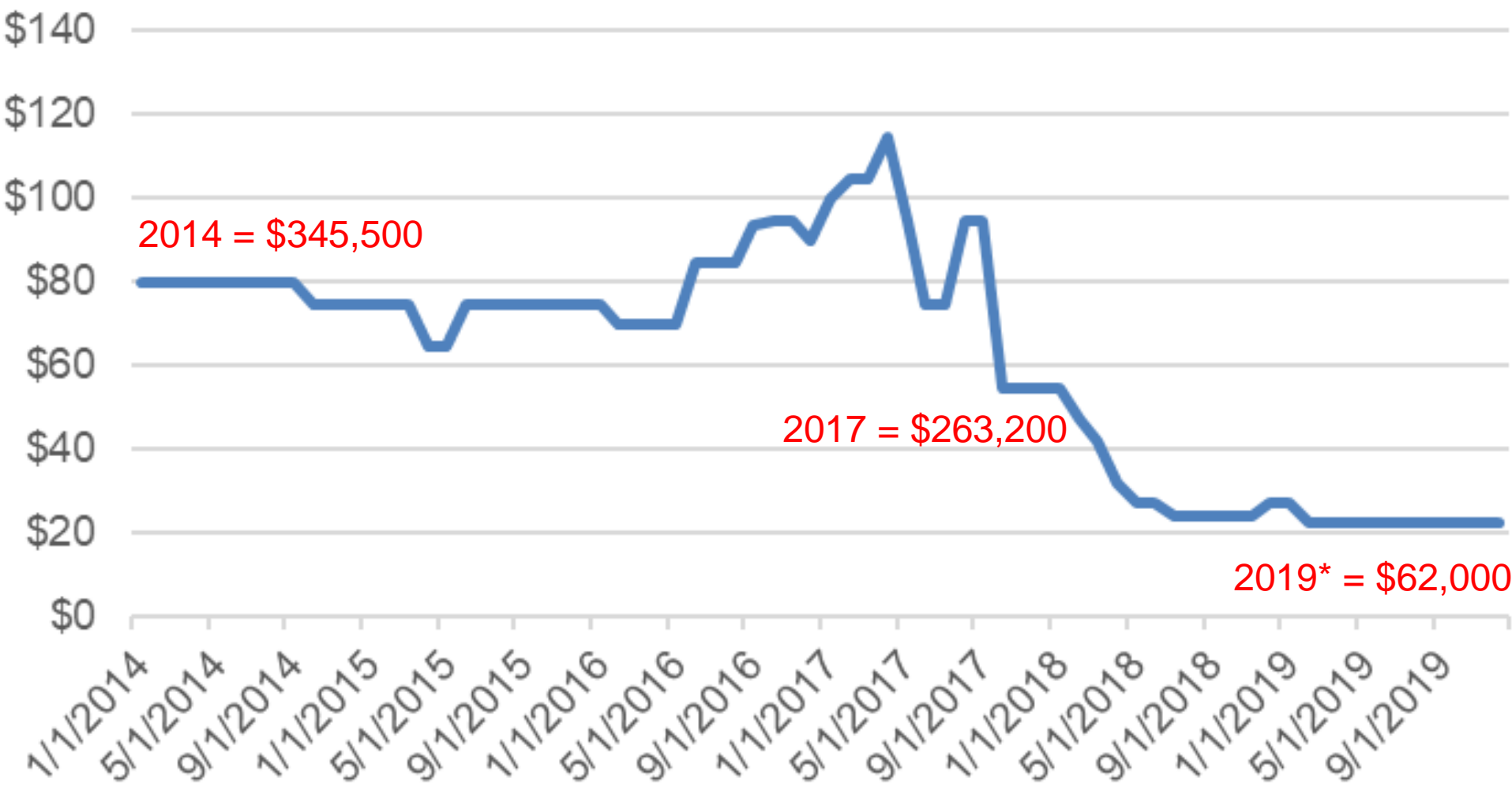
- SWF fee revenue growth is minimal absent fee increases; PMHIC refund dollars helped in 2018, but may not recur at same rate
- Increased rates at Transfer Station have underperformed estimates
- Recycling grants from PA DEP have been decreasing overall
- Recycled paper market prices which had been relatively stable and produced reliable revenue, have declined precipitously
 - 2019 = \$23/Ton
 - 2018 = \$32/Ton
 - 2017 = \$83/Ton
 - 2016 = \$82/Ton
 - 2015 = \$73/Ton

Note: 2015-2018 is shown as annual average; 2019 is projected average.



Solid Waste Fund Revenues – Paper Prices

Recycled Paper Market Prices



*Projected



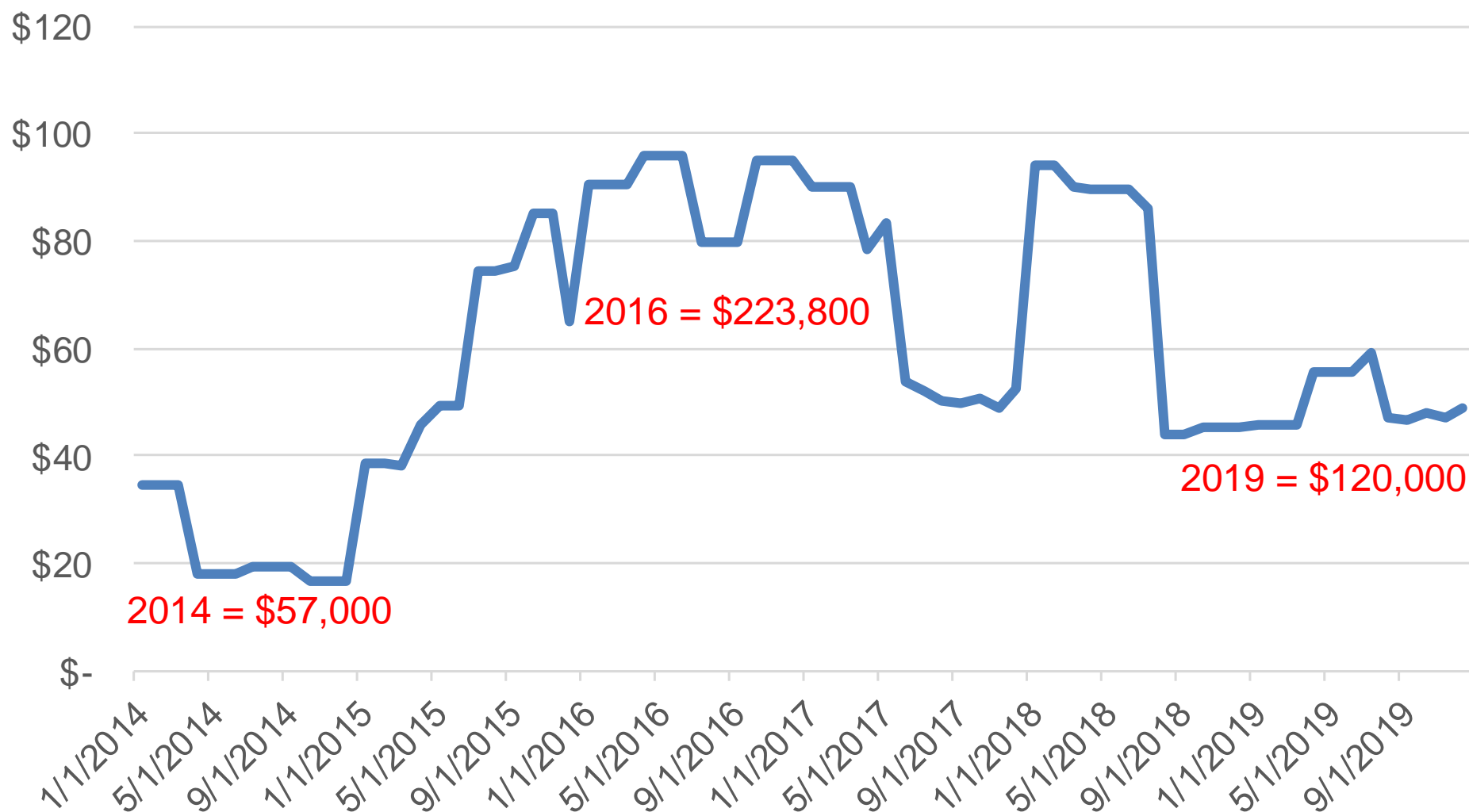
Solid Waste Fund Expenditures

- Tipping fee set by contract with Covanta (2% annual increases)
 - \$66.33/ton in 2017; \$1.16 million total
 - \$67.65/ton in 2018; \$1.25 million total
 - \$69.01/ton in 2019; \$1.15 million total (projected)
- 2018 renovations to Transfer Station reduced commingled costs from an average of \$90/ton to approx. \$50/ton. However, 2019 costs are projected at \$120,000 which is still double 2014 expenses
- Labor costs (wages and employee benefits) = \$4.2 million (2019)
- Vehicle rental rates for Equipment Fund = \$1.015 million (2019)
- Transfer to General Fund for indirect costs = \$601,800 (2019)
- These costs represent 96.9% of 2019 projected SWF expenditures



Solid Waste Expenditures – Commingled Hauling

Commingled Price History





Solid Waste Fund Fee Options





Solid Waste Fund Fee Options

- Prior to discussing fee options the Board may wish to make certain changes to the Solid Waste Fund that would improve its financial position while not having a direct impact on core services
 - Reduce GF indirect cost level. This was reduced by \$350,000 from \$951,800 (2018) to \$601,800 (2019) on a one-time basis, but could be extended to 2020 if the Board felt it was warranted. This option would have an impact the General Fund's financial position
 - Eliminate Electronic Collection events (\$10,250) in light of availability of Curb My Clutter service to Township residents
 - Additional solid waste can audit enforcement (\$45,000)
- With these three initiatives the projected 2020 deficit would be eliminated and the 2020 ending fund balance would be 7.3%. While still below the 10% goal, the increased fund balance could be necessary should disposal costs increase, revenues decline, etc.



Solid Waste Fund Fee Options

Board could also opt to look at specific fee or structural issues

- Mini-Can Level

- As discussed last year, 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 4 rate increases since 2010
- Current \$241 fee still below comparable area municipalities that provide the same service -- Radnor (\$500) and Easttown (\$325)

- The Board had some discussion last year regarding potential ways to change the solid waste fee structure. The Board could also leave current structure in place in 2020 and re-evaluate the Solid Waste Fee structure in a future year



Solid Waste Fund Fee Options for 2020

- Baseline projections show growing deficits without additional revenue or reduced expenditures; Board does have policy options

Solid Waste Fund	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast
Beginning Fund Balance	\$ 0.14	\$ 0.49	\$ 0.16	\$ (0.41)
Revenues	\$ 7.68	\$ 7.67	\$ 7.68	\$ 7.69
Expenses	\$ 7.34	\$ 8.00	\$ 8.25	\$ 8.42
Surplus/(Deficit)	\$ 0.34	\$ (0.33)	\$ (0.56)	\$ (0.73)
Ending Fund Balance	\$ 0.49	\$ 0.16	\$ (0.41)	\$ (1.14)
Ending FB (% of Operating Expenditures)	6.6%	1.9%	-4.9%	-13.5%
Option 1: No Fee Increase + 3 initiatives				
Ending Fund Balance		\$ 0.56	\$ 0.05	\$ (0.63)
Ending FB (% of Operating Expenditures)		7.3%	0.6%	-7.5%
Option 2: 5% Fee Increase only				
Additional Solid Waste Fee Billable		\$ 0.31	\$ 0.31	\$ 0.31
Ending Fund Balance		\$ 0.47	\$ 0.21	\$ (0.21)
Ending FB (% of Operating Expenditures)		5.8%	2.6%	-2.5%
Option 3: 5% Fee Increase + 3 initiatives				
Ending Fund Balance		\$ 0.87	\$ 0.68	\$ 0.31
Ending FB (% of Operating Expenditures)		11.4%	8.2%	3.7%



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	2019	+ 5%	Annual Increase
Mini-Can	\$ 237	\$ 249	\$ 12
1 Can	\$ 338	\$ 355	\$ 17
2 Cans	\$ 405	\$ 425	\$ 20
3 Cans	\$ 472	\$ 495	\$ 23
4 Cans	\$ 539	\$ 565	\$ 26
5 Cans	\$ 606	\$ 635	\$ 29
6 Cans	\$ 673	\$ 705	\$ 32
7 Cans	\$ 740	\$ 775	\$ 35
8 Cans	\$ 807	\$ 845	\$ 38
Rear Yard	\$ 231	\$ 243	\$ 12



Solid Waste Fee Next Steps

- BOC decision on the appropriate SWF fee level for 2020
- 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 2020 Solid Waste Fee Schedule
- If the BOC keeps all solid waste fees at the current level no further public action is required
- Solid Waste subscription change cards mailed to customers (tentatively scheduled for mid-to-late November)
- 2020 Solid Waste Bill is included with tax bill mailed Jan 31st