

City of Key West

FY 2014 Solid Waste Fund

Commission Presentation

July 16, 2013

**CDM
Smith**

Summary and Recommendations

- Annual CPI-U increased only by 1.3% for May
- City will convert to billing solid waste on property tax bill in FY 2014, thus improving revenue collections
- Solid waste master plan has been completed and the City has begun implementing its recommendations
- Economy has improved only slightly during last year
- **RECOMMENDATION:** Reduce solid waste rates by 2% for FY 2014, but plan to resume annual inflation adjustment next year

Background for The 2014 Rate Study

- Prudent minimum reserve fund balance policy:
 - City Resolution No. 10-278 established prudent minimum policy for retained earnings for enterprise funds
 - Reserve of 25% of current year requirements recommended in determining rate needs under policy
- Amount of delinquent accounts has again decreased over past year, this time by about 3%

Background for The 2014 Rate Study (continued)

- Rate model has been employed to evaluate needs for various scenarios to achieve non-negative available long-term cash balances:
 - Equal annual % increases in each year beginning next year: 3.3%. Prudent spending may help lower these increases
 - Without resumption of annual rate increases, negative available cash balance projected by FY 2017
- Continued managerial stewardship may allow for favorable variances in financial performance v. forecasts over time
- City's proactive policy of yearly rate reviews allows for prudent annual adjustments mitigating major customer impacts

Key Features

- We recommend 2% rate decrease for FY 2014:
 - Residential reduces by \$6.61 to \$319.05 per year
 - Tipping fee reduces by \$3.39 to \$165.90 per ton
- City will need to send initial assessment resolution information to all residents to establish a 5-year utility notice. Proposed annual residential rates:
 - FY 2015 = \$329.67
 - FY 2016 = \$340.65
 - FY 2017 = \$351.99
 - FY 2018 = \$363.72

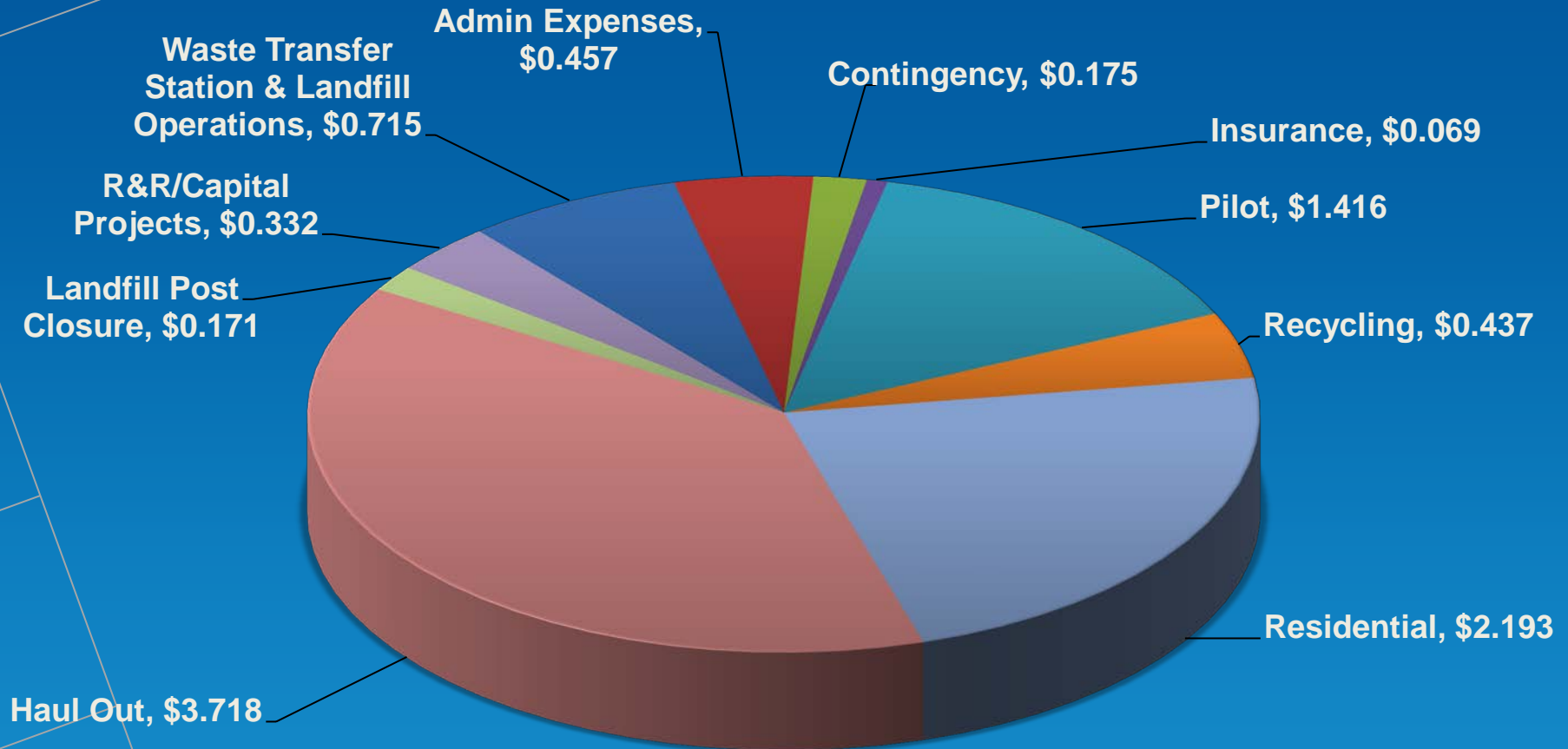
Key Features (continued)

- Provision of solid waste service to general government at no charge, including public housing. Stranded cost equals \$25.47 per ton

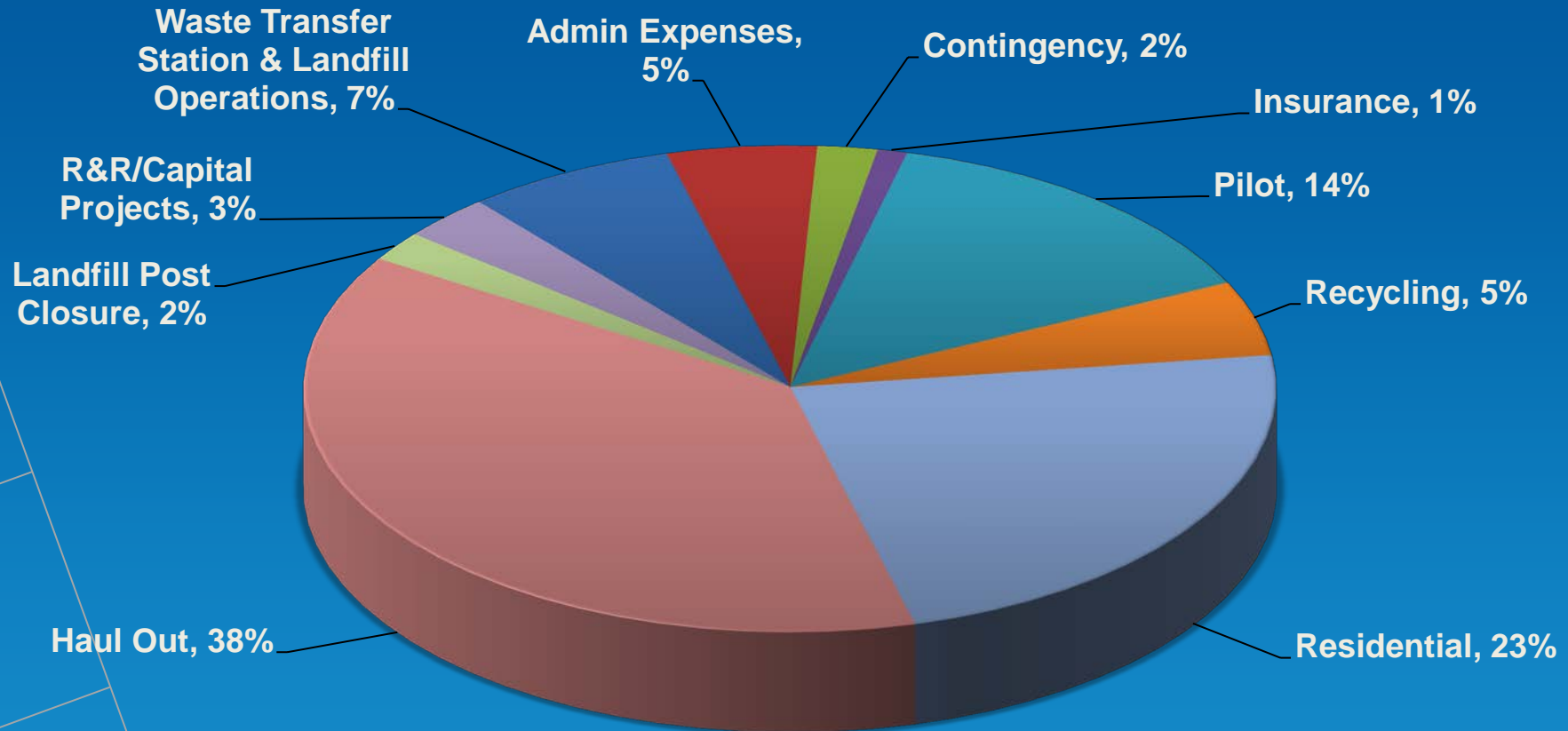
Financial Highlights with Continued Annual Adjustment Re-Commencing in FY 2015

*millions	2014	2015	2016	2017	2018
Total Expenses *	\$9.683	\$10.679	\$10.123	\$10.220	\$10.686
Total Revenue *	\$8.861	\$9.234	\$9.625	\$10.037	\$10.467
Tip Fee Per Ton	\$166	\$171	\$177	\$183	\$189
Residential Rate	\$319	\$330	\$341	\$352	\$364
PROJECTED INFLATION	Base	2.25%	2.25%	2.25%	2.50%

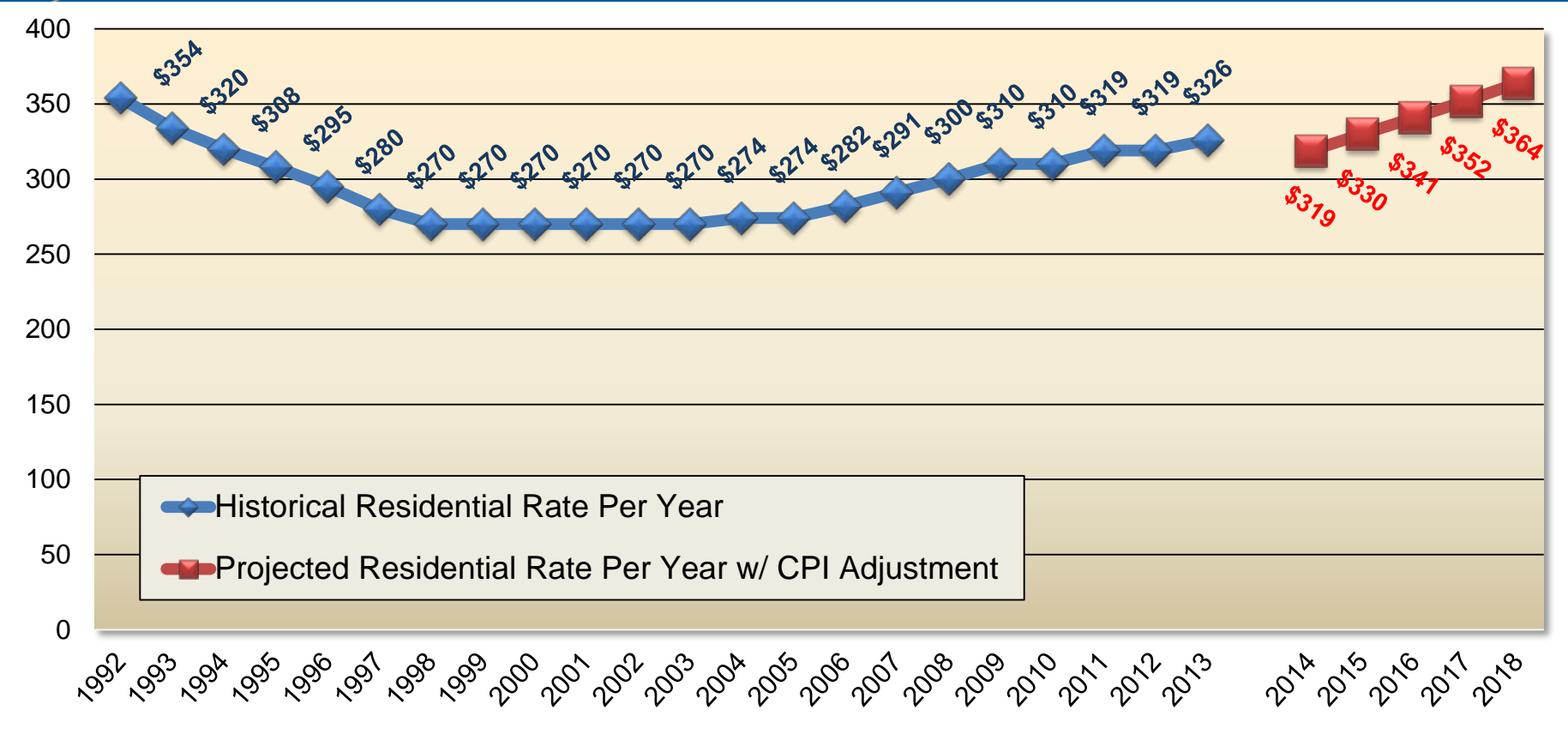
FY 2014 Solid Waste Expenses by Cost Center (\$ millions)



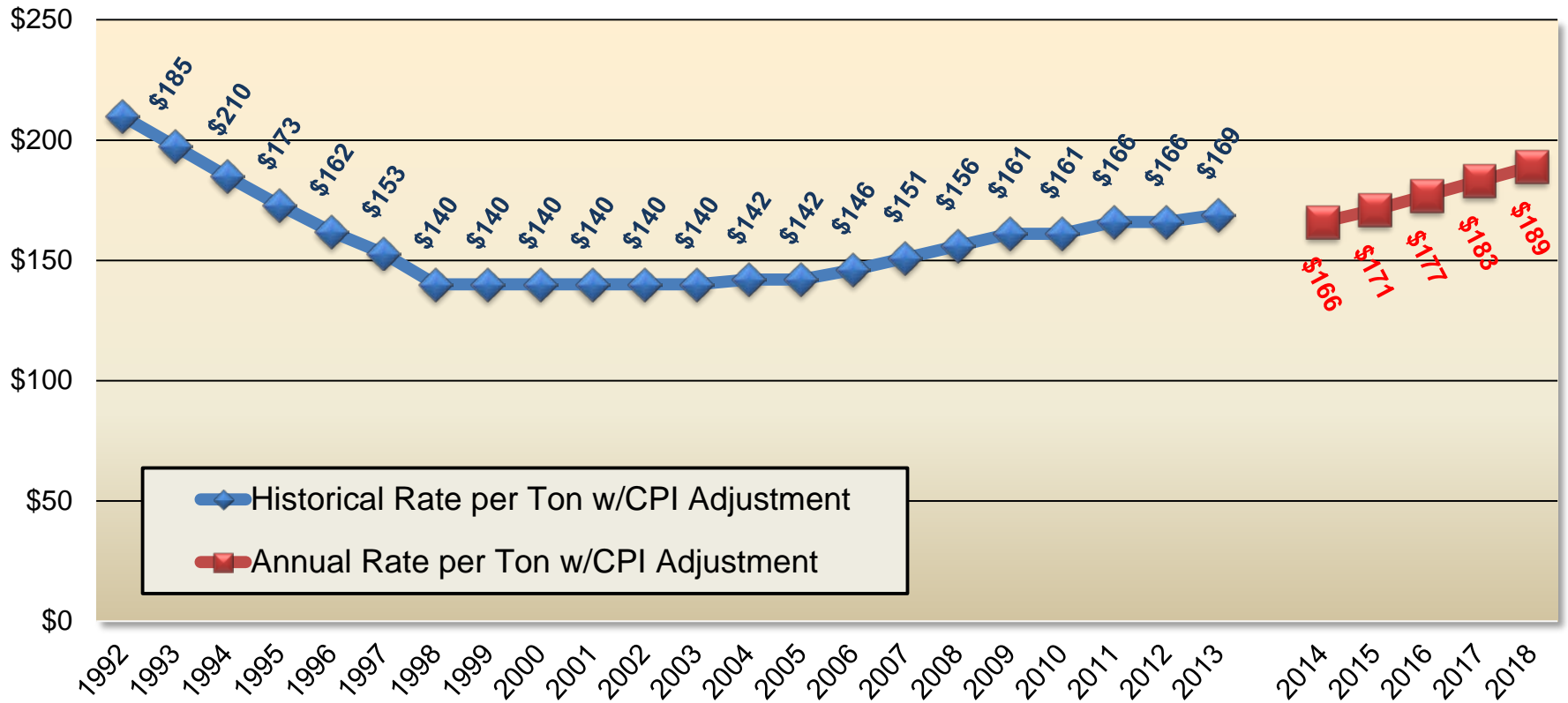
FY 2014 Solid Waste Expenses by Cost Center (%)



Residential Rate w/ CPI Adjustment



Tipping Fee Rate Per Ton w/ CPI Adjustment



Commercial Customer Typical Bills

Customers Bills	Large Hotel	Medium Hotel	Small Hotel	Guest House	Restaurant	Grocery	Small Contractor	Downtown Shop	Laundry
FY 2014:									
Estimated Annual Bill	\$101,953	\$36,053	\$4,449	\$5,097	\$8,751	\$67,878	\$624	\$936	\$2,268
Typical Monthly Bill	\$8,496	\$3,004	\$371	\$425	\$729	\$5,656	\$52	\$78	\$189

Projected Cash Balances With -2% Rate Adjustment This Year, and CPI Adjustment Annually Thereafter

	20% Reserves		25% Reserves	
Fiscal Year	Available Balance	Cash Reserves	Available Balance	Cash Reserves
2014	\$3,398,920	\$1,870,169	\$2,931,378	\$2,337,772
2015	\$1,876,277	\$1,926,652	\$1,415,996	\$2,408,315
2016	\$1,284,950	\$1,975,417	\$857,170	\$2,469,271
2017	\$981,524	\$2,025,691	\$611,228	\$2,532,114
2018	\$609,397	\$2,081,823	\$322,666	\$2,602,279

Projected Cash Balances Without Any Rate Adjustments

	20% Reserves		25% Reserves	
Fiscal Year	Available Balance	Cash Reserves	Available Balance	Cash Reserves
2014	\$3,579,012	\$1,870,169	\$3,111,470	\$2,337,712
2015	\$1,963,994	\$1,926,652	\$1,482,331	\$2,408,315
2016	\$992,304	\$1,975,417	\$498,449	\$2,469,271
2017	\$4,317	\$2,025,691	(\$502,106)	\$2,532,114
2018	(\$1,373,496)	\$2,081,823	(\$3,667,070)	\$2,602,279

Questions?