

City of Key West

FY 2013 Solid Waste Fund

Commission Presentation

July 24, 2012

**CDM
Smith**

Summary and Recommendations

- Annual CPI-U increased only by 1.6% for June
- City will convert to billing solid waste on tax bill in FY 2014, thus improving revenue collections
- Soon-to-be-completed solid waste master plan will define future features of system, with possible revenue enhancements
- Economy has not improved during last year
- **RECOMMENDATION:** Keep solid waste rates same as-is for FY 2013, but plan to resume annual inflation adjustment next year

Background for The 2013 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 20% of current year requirements still used in determining rate needs under policy
- Amount of accounts receivable > 30 days has decreased over past year by \$63K, representing a 1.36% point improvement in remittance efficiency

Background for The 2013 Rate Study (cont.)

- 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 this year: 2.99%
 - Beginning next year: 3.95%
 - Without any rate increases, negative available cash balance projected by FY 2015
- Continued managerial stewardship may allow for favorable variances in financial performance v. forecasts over time

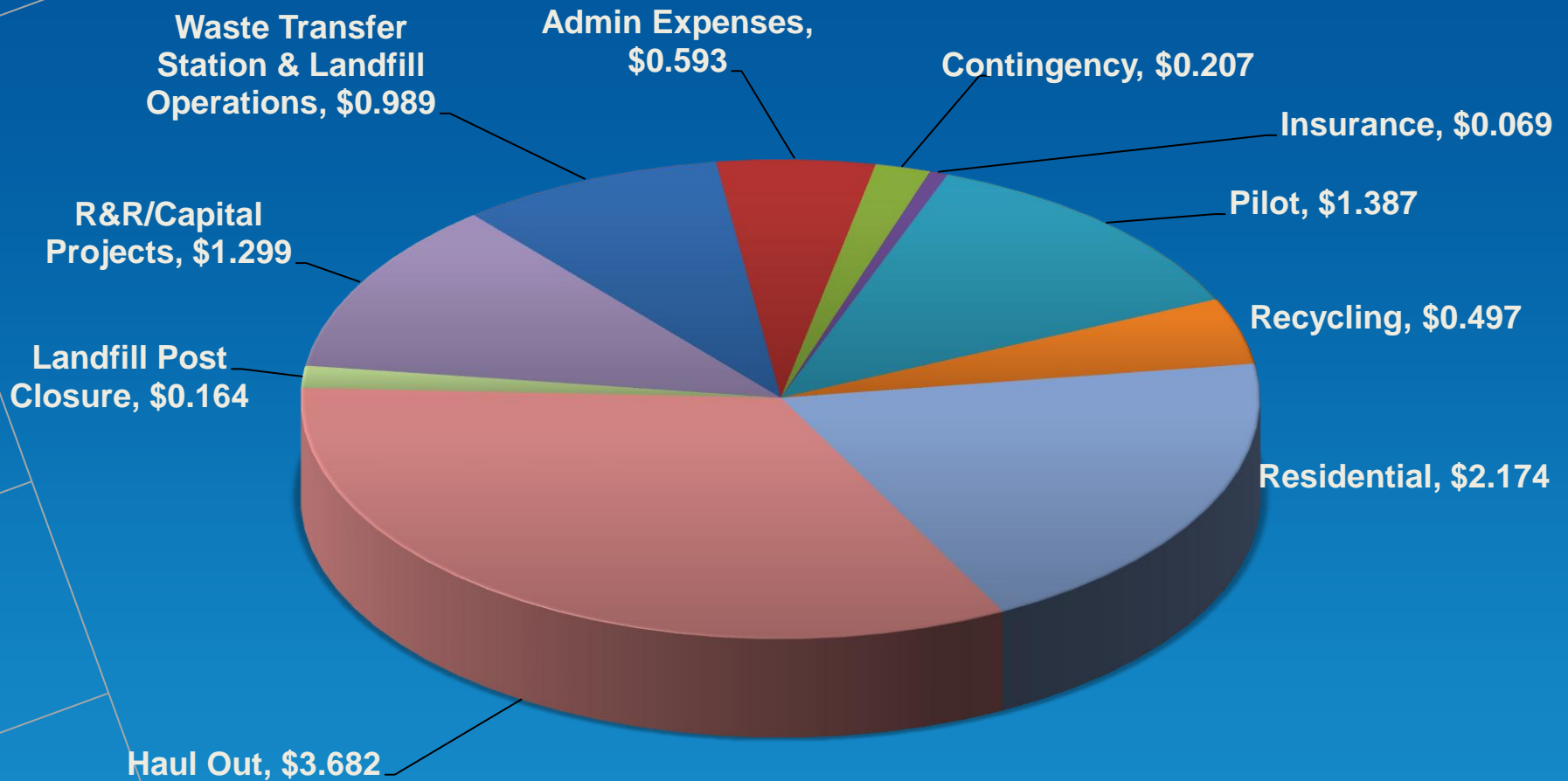
Key Features

- We recommend no rate increase ONLY for FY 2013:
 - Residential remains \$319.17 per year
 - Tipping fee remains \$165.97 per year
- Under current policy, residential recycling costs recovered through the tonnage rate on all tons
- Provision of solid waste service to general government at no charge, including public housing. Stranded cost equals \$23.52 per ton

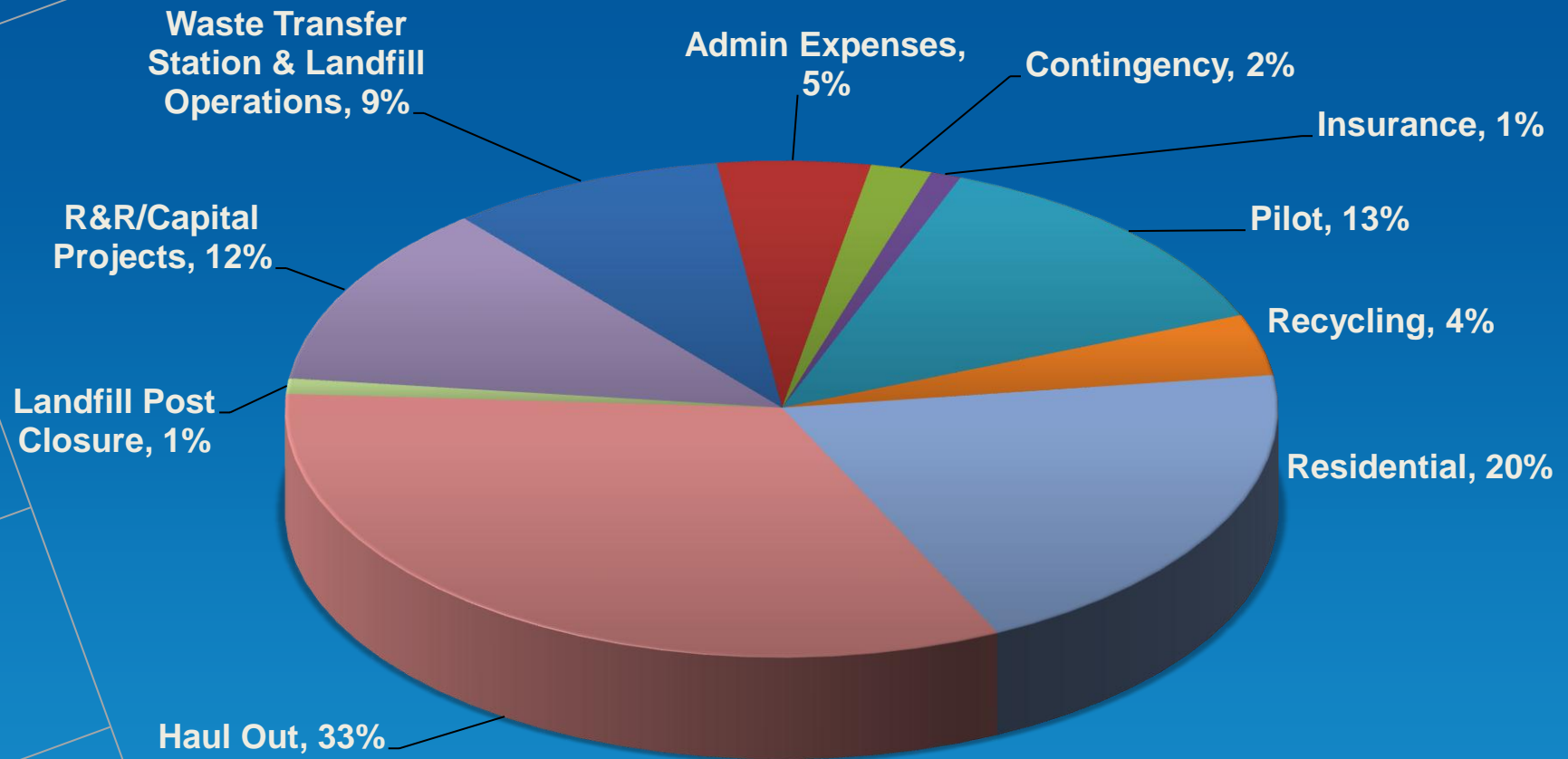
Financial Highlights with Continued Annual Adjustment

*millions	2013	2014	2015	2016	2017
Total Expenses *	\$11.060	\$10.217	\$10.439	\$10.729	\$11.208
Total Revenue *	\$9.365	\$9.724	\$10.105	\$10.501	\$10.915
Tip Fee Per Ton	\$171	\$176	\$181	\$187	\$192
Residential Rate	\$329	\$339	\$349	\$359	\$370
PROJECTED INFLATION	Base	2.5%	2.5%	2.5%	2.5%

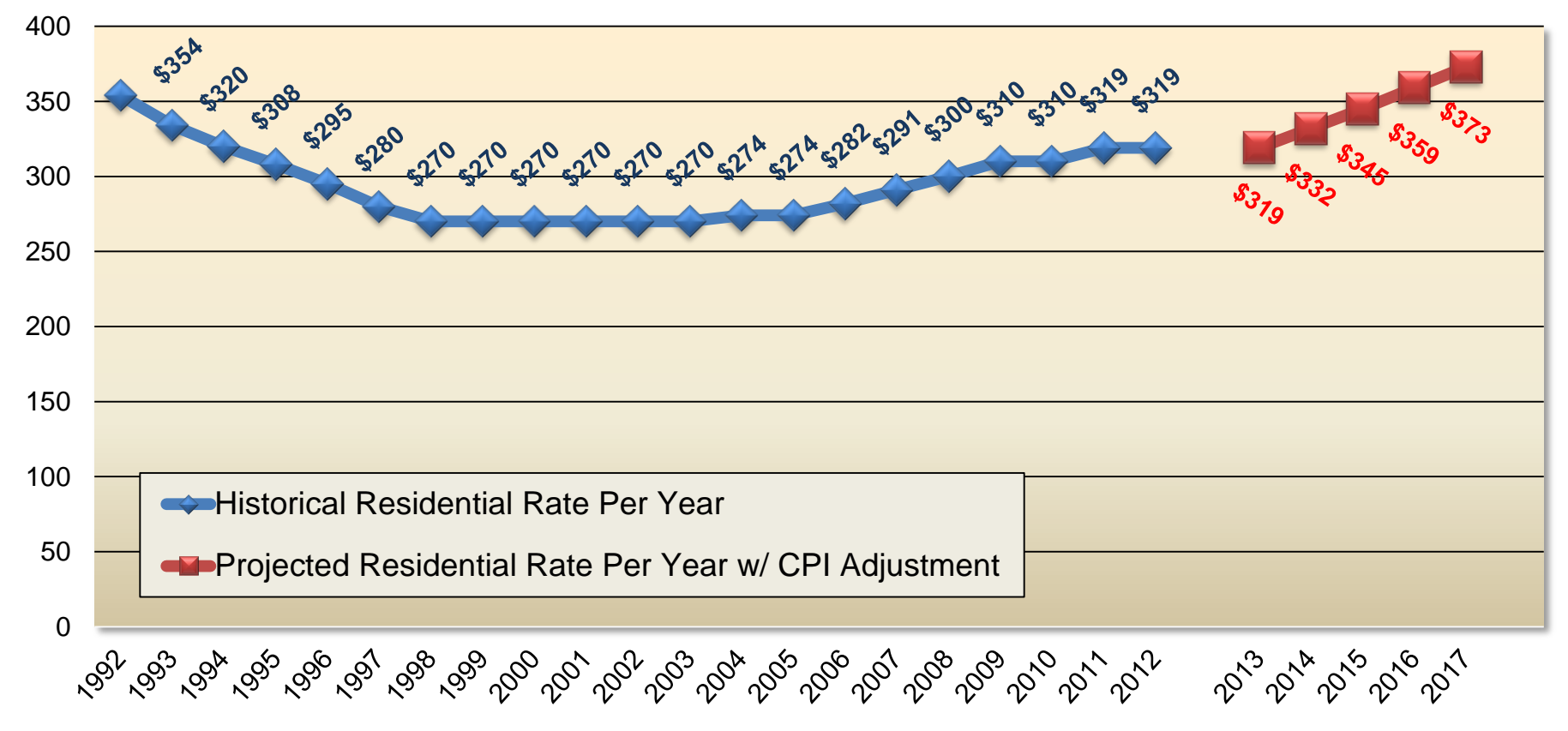
FY 2013 Solid Waste Expenses by Cost Center (\$ millions)



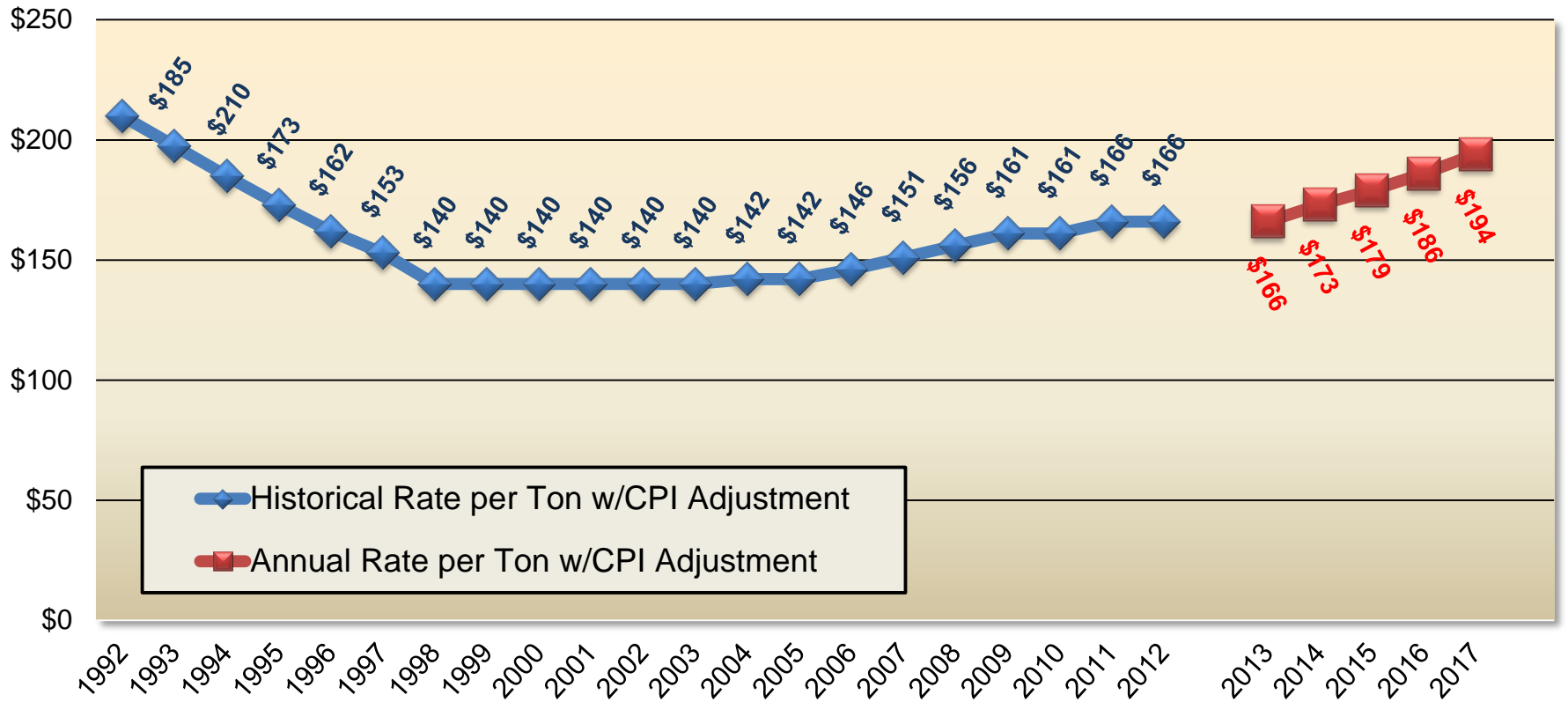
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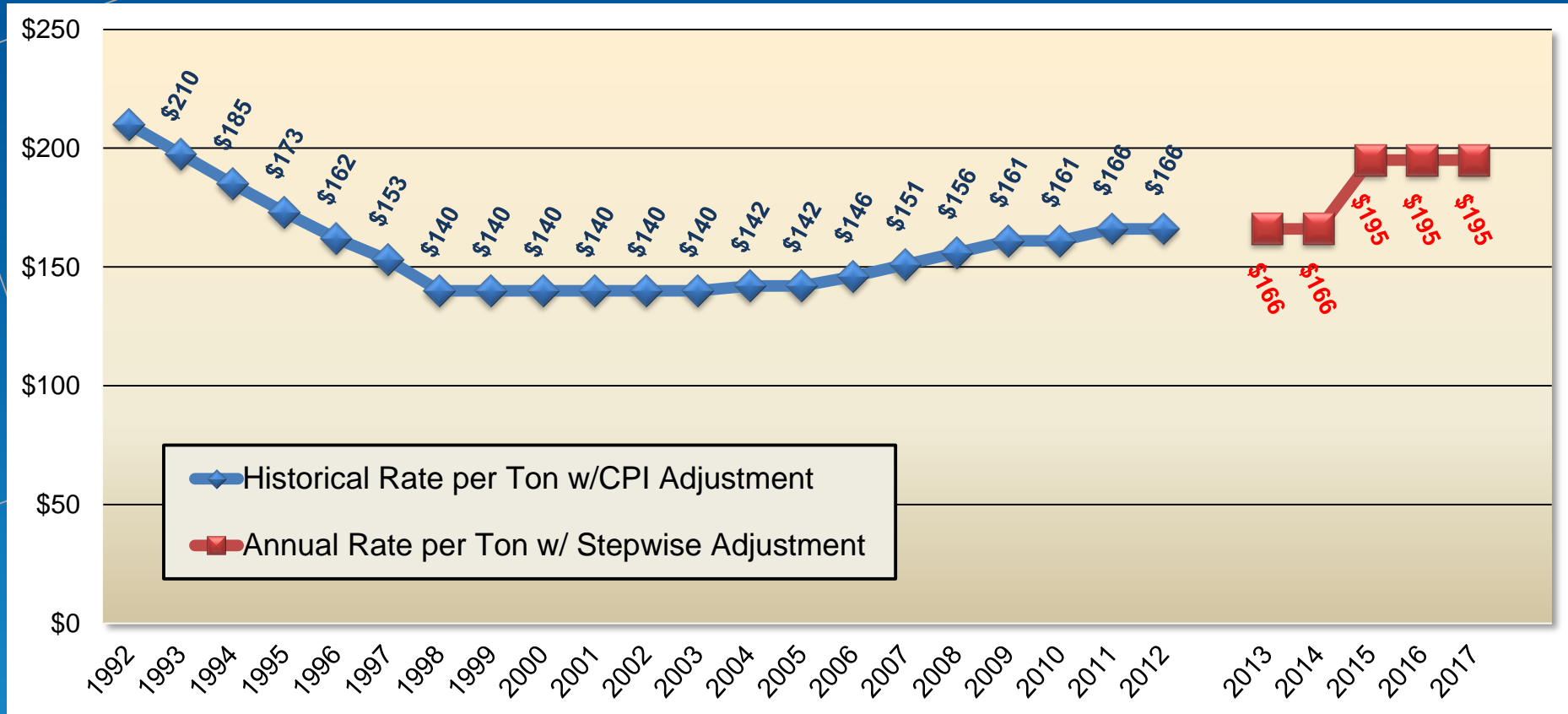
Residential Rate w/ CPI Adjustment



Tipping Fee Rate Per Ton w/ CPI Adjustment: Alternative 1 (3.95% Annually)



Rate per Ton w/ Stepwise Adjustment: Alternative 2 (Rate Increase 2015 Adequate for 5 Years)



Commercial Customer Typical Bills

Customers Bills	Large Hotel	Medium Hotel	Small Hotel	Guest House	Restaurant	Grocery	Small Contractor	Downtown Shop	Laundry
Current Year & FY 2013:									
Estimated Annual Bill	\$101,994	\$36,067	\$4,451	\$5,099	\$8,755	\$67,905	\$624	\$936	\$2,269
Typical Monthly Bill	\$8,500	\$3,006	\$371	\$425	\$730	\$5,659	\$52	\$78	\$189

Projected Cash Balances With No Rate Adjustment This Year, and CPI Adjustment Annually Thereafter

	20% Reserves		25% Reserves	
Fiscal Fiscal Year	Available Balance	Cash Reserves	Available Balance	Cash Reserves
2013	\$2,178,758	\$1,952,292	\$1,690,685	\$2,440,365
2014	\$1,426,077	\$2,015,381	\$922,232	\$2,519,226
2015	\$922,059	\$2,070,479	\$404,439	\$2,588,099
2016	\$615,049	\$2,127,401	\$83,198	\$2,659,252
2017	\$340,674	\$2,186,209	(\$205,879)	\$2,732,762

Projected Cash Balances Without Any Rate Adjustments

	20% Reserves		25% Reserves	
Fiscal Year	Available Balance	Cash Reserves	Available Balance	Cash Reserves
2013	\$2,178,758	\$1,952,292	\$1,690,685	\$2,440,365
2014	\$1,064,377	\$2,015,381	\$560,532	\$2,519,226
2015	(\$188,019)	\$2,070,479	(\$705,638)	\$2,588,099
2016	(\$1,656,404)	\$2,127,401	(\$2,188,254)	\$2,659,252
2017	(\$3,528,530)	\$2,186,209	(\$4,075,082)	\$2,732,762

Questions?