

Solid Waste Fund Recommendations for Fund Sustainability

Mayor & Council Budget Workshop
Thursday, August 20, 2020

Solid Waste
Fund -
Current
Projected Use
of Net Position

FY 2020 Projected Use of Net Position **-\$3,159,899**

	FY2019	FY2020	FY2021	Change	%
Revenues	62,712,487	65,550,650	64,513,771	(1,036,879)	-1.58%
Expenditures	67,822,764	68,710,549	68,932,863	222,314	0.32%
Contribution To / (Use Of) Net Position	(5,110,277)	(3,159,899)	(4,419,092)		

Primary Drivers

- Increased City Growth
- Increased Contractual Costs
- Aging Capital
- Added Service Enhancements
- Residential Rate Structure
- Major Declines in Recycling Markets, Impact: -\$1,190,363 in FY2019

Solid Waste Fund - Challenges

- Enhanced programs & increased expenditures without corresponding revenue adjustments to the fund over time:
 - Investigative programs
 - Illegal dumping
 - Street sweeping
 - Litter abatement
 - Homeless camp abatement
- **Residential services is funding 99% of all current programs/services**
- Projected life of landfill currently projected at 19 years
- Ensuring there is a funded plan in place for future program services, landfill disposal, and a capital reserve for future landfill needs
- Meeting Solid Waste fund reserve requirements

Solid Waste Fund - Burns & McDonnell

Financial & Operational Review



Performed a comprehensive financial cost of service and rate analysis for all solid waste, recycling, and environmental operations to determine the fees required to adequately cover costs of providing solid waste services.



Provided data needed to answer and validate key questions regarding current services.



Recommendations tied to the ten-year financial plan and includes changes to residential and commercial services/rates within the next ten years; aligning revenue funding and cost recovery to service beneficiaries

Solid Waste Fund: Burns & McDonnell Data



Whose trash goes to our landfill?

In fiscal year 2019, 76% of what the landfill took was non-residential waste, up from 36% in 2009; projected 38% is from outside Fort Worth



What has happened to recycling revenues?

Residential Recycling Program – Net Cost of \$1.2 M for FY 2019 (no positive revenue)

Depressed Recycling Market Revenues due to China Policy

Increased Processing Costs based on 2018 Market Rates

Excessive Contamination Rate



Who uses the Environmental Collection Center?

Although the number of Fort Worth and non-Fort Worth visitors are roughly equal, visitors from non-Fort Worth cities bring 40 percent more material to the ECC than Fort Worth residents.

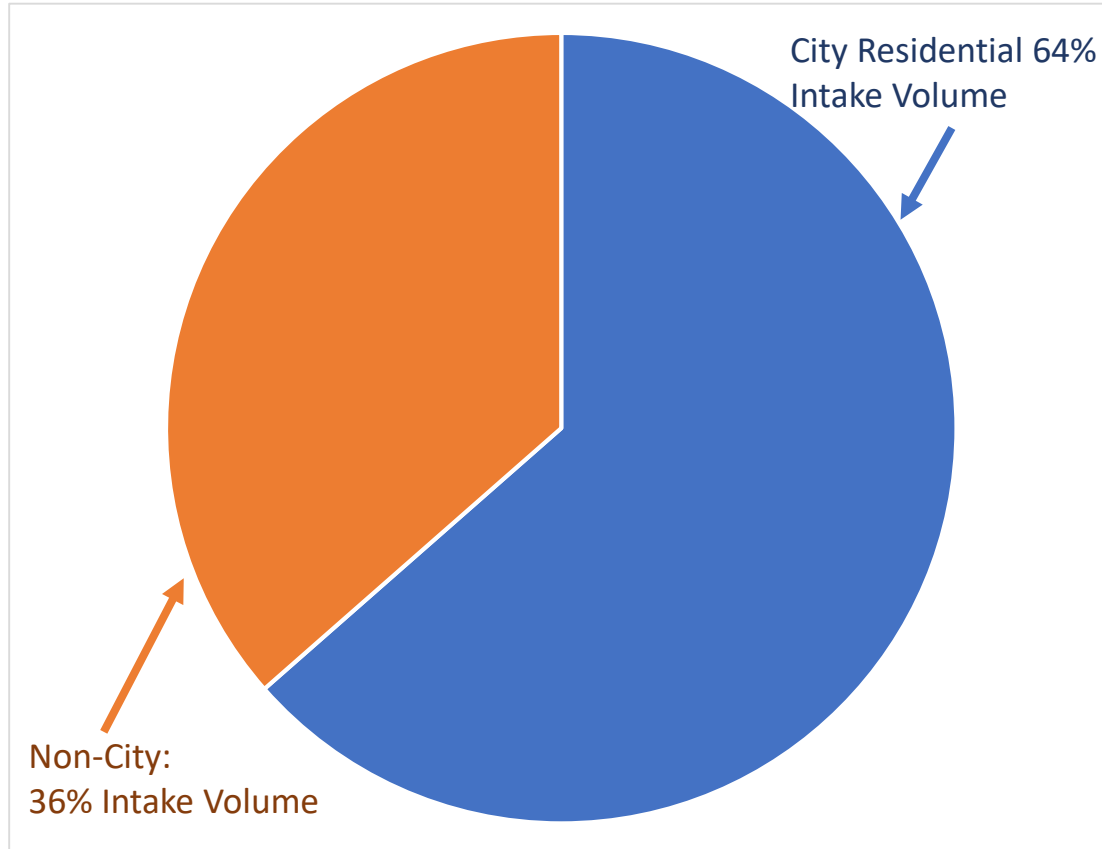


What is revenue mismatch in Solid Waste funding – residential vs commercial?

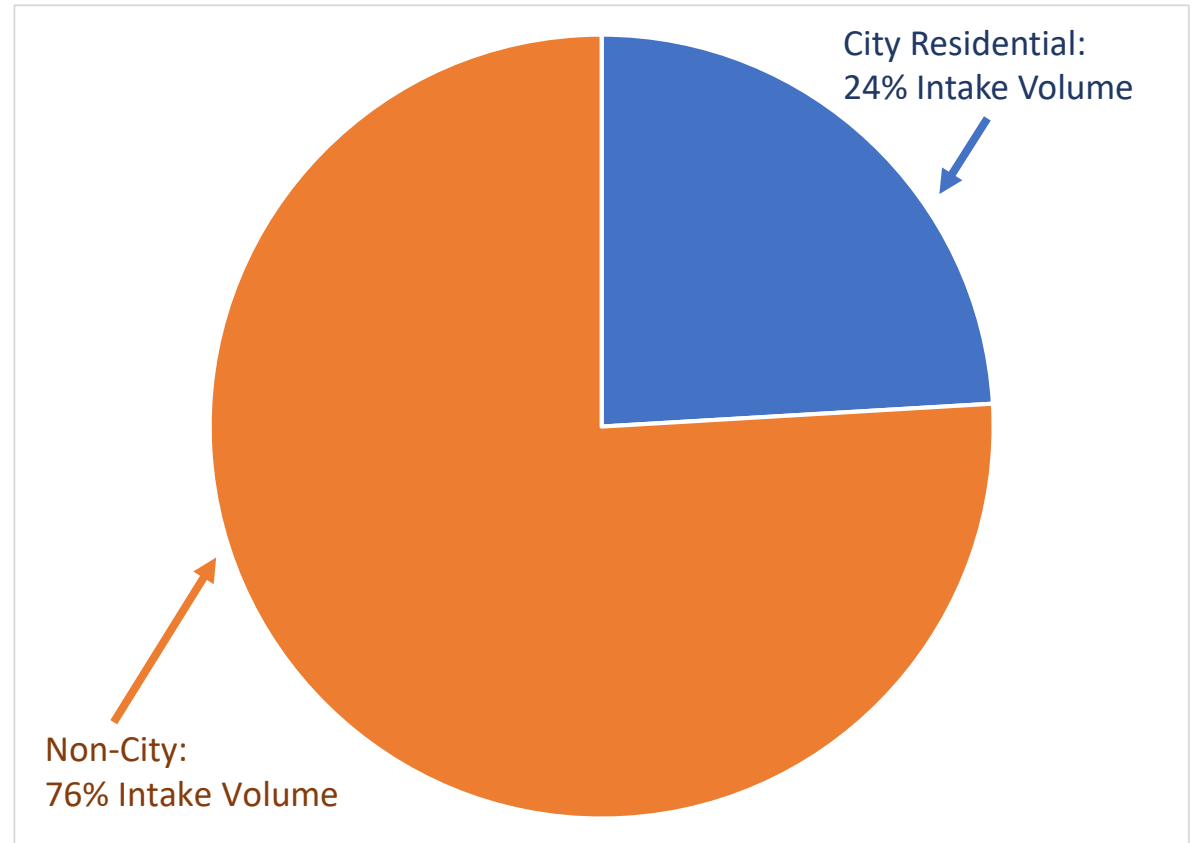
Residential customers contribute a disproportionate amount than commercial.

Solid Waste Fund - Landfill Intake Analysis

FY 2009: Residential Customer Focus



FY 2019: Commercial Customer Focus



*City Residential includes less than 1% City facility waste

Southeast Landfill Tonnage Breakdown

- The following table summarizes the calendar year 2019 tonnage accepted at the SELF
- The data serves as the baseline for the financial projection

Customer	Annual Tons				% Landfill Intake	% Outside City
	MSW	C&D	Special Waste	Total		
City	227,650*	0	50	227,700	24%	0%
Republic Services	276,300	7,400	35,600	319,300	76%	50%
Third Party	173,800	144,200	58,800	376,800		50%
Total	677,750	151,600	94,450	923,800	100%	38%

* Excludes approximately 33,000 tons of brush that is diverted for compost instead of landfilled.

Solid Waste
Fund
Sustainability
Landfill
Financial
Analysis

- Agreement in place since 2003 for Republic Services to operate our landfill
 - Includes contractual and financial provisions for funding future closure and post-closure costs
- Estimates for remaining landfill life range from 11.9 years to 16.9 years
- Continue working with regional partners on future options and strategies for future landfills
- Current projected funding needed for closure and post closure - \$23,615,621
 - \$18.2M for closure/\$5.3M for post -closure
 - Total current liability - \$11.2M
 - CFW has \$2.7M in restricted financial reserves for the landfill closure/post-closure

Determine current and future needs

Identify proper funding source for added programs

Align fees with appropriate payers – (tipping fees/hauler permits) – ensuring recouping from those driving costs

Future disposal and landfill life, ensuring capital reserve for future landfill needs

Manage reserves according to policies

Solid Waste Fund - Policy Considerations for Fund Sustainability

Solid Waste Fund Sustainability - Proposed Solutions for FY21 Budget Overview

The Proposed Solutions:

- Support the programmatic and long-term financial goals of the Solid Waste fund
- Intended to generate additional revenue from commercial entities that would equitably redistribute the financial responsibility of solid waste programs
- Include funding for current landfill and potential future landfill costs
- Allow the Solid Waste fund to maintain required reserve balance
- Propose looking at alternative funding solutions before raising residential rates

Solid Waste Fund Sustainability – Recommendations for FY21 Budget

1. Adopt a \$5.00/per ton Non-City (Residential) Waste landfill disposal surcharge
 1. Approximately \$3.1M annually in additional revenue
 2. Projected no significant loss in landfill royalty/rent revenue
 3. Fee will be implemented on January 1, 2021 (9 months of FY2021)

***Projected the SLEF will receive 660,000 tons of non-city waste in FY21**
2. Increase the Grant of Privilege by 5%
 1. Approximately \$3M annually in additional revenue
 2. Increase will go into effect on January 1, 2021 (9 months of FY2021)

The projected FY2021 continued use of net position without alternative revenues **-\$4,419,092**

Adopt a Landfill Surcharge Impacts

Consistent with current City's Pay-As-You-Throw model

Haulers will see their costs increase by 2%-8%

Businesses can expect their costs to increase by a minimum of this percentage of current billing if costs are passed through by haulers

Outreach and communication plan will be developed for effected stakeholders

Potential revenues generated will more equitably redistribute the financial responsibility of solid waste programs: landfill, on-going solid waste, and recycling

Grant of Privilege Fee Comparisons

- Fort Worth's Grant of Privilege is at 5% of gross revenues
- Proposed 5% increase in the Grant of Privilege moves Fort Worth up to 10%

Municipality	% of Gross Revenue
Pearland	18
Allen	15
Coppell	15
Forney	10
Mesquite	10
Plano	7.5
Arlington	5
Corinth	5
Murphy	5
Garland	5
Fort Worth	5
Dallas	4
Houston	4
Grand Prairie	4
Grapevine	2

Increase Grant of Privilege by 5% - Impacts

Consistent with current City's Pay-As-You-Throw model

Haulers will see their costs increase by 5% of gross revenue

Businesses could see their costs to increase by a minimum of 5% of current billing if costs are passed through by haulers

Ordinance change required to change the % assessed.

Potential revenues generated will more equitably redistribute the financial responsibility of solid waste programs: landfill, on-going solid waste, and recycling

Solid Waste Fund Sustainability

Recommendations to Consider for FY22 Budget

Review Environment Protection Fund rate structure and identify eligible programs to transfer from Solid Waste

Depending on outcome of previous recommendation we will continue to monitor residential rate structure

Changes to the residential recycling program

- Resetting financial expectations for recycling programs to incur an annual cost
- Programs that focus on decreasing contamination
- Focus on recycling high value materials, aluminum and plastic bottles
- Continue proactively participating in “Know What to Throw” educational recycling campaigns

Environmental Collection Center cost of service analysis due to third-party visitors bringing in 43% more material by weight to the ECC than Fort Worth residents. Consider a rate change to third-party visitors to recover cost of service

Solid Waste Fund Sustainability

Recommendations to Consider for FY23-FY29

Consider annual adjustments to landfill surcharges (need to review pros/cons)

Review need for rate increases for residential and commercial after other options are implemented

Continued review of the Southeast Landfill – landfill life, closure and post closure plans, and trust fund balances

Review need for rate increases for residential and commercial after other options are implemented

Solid Waste Fund Changes: Timeline and Outreach to Stakeholders

Proposed Revenue Timeline

Tuesday, August 11th	Introduced Budget will include recommendations for: 1. Increase in Grant of Privilege 2. Non-city waste landfill disposal fee
Thursday, August 20th	Budget Workshop to discuss Solid Waste fund, proposed revenues, & long-term plan
Week of Monday, August 17th	Set up meetings with Republic and other stakeholders plus other public outreach, share communication plan
Tuesday, September 1st	First public hearing on FY21 budget
Tuesday, September 15th	Second public hearing on FY21 budget
Tuesday, September 22nd	Final Approval of FY21 budget - fees to be in place January 1, 2020
Tuesday, October 20th	GOP & Landfill Surcharge Ordinance Passed
October-December 2020	Continued outreach and establish GOP/hauler agreements, etc.
November 23, 2020	Advancing Future Funding & Services – Internal SW Working Group Recommendation to CMO

Solid Waste Fund Sustainability - Continued Conversations

- Reviewing current solid waste contracts with an internal working group to discuss options and timing for contracts that expire in 2023
 - Discuss extension options with the current vendor
 - RFP in early calendar year 2021
 - More information to come!
- Determine the best way to handle recycling in our community and propose recommendations to council in FY22
- Continue to work with regional partners on future landfill needs including management, potential locations, and funding.

Questions
