



Doing Things!

**Solid Waste Department
Rate Stabilization Plan Recommendation
November 2016**





Background and Objective

- **The County contracted for preparation of a solid waste tipping fee study and long-range financial model. Results indicated there will be a significant increase in tipping fees required by FY30 and beyond.**
- **The County subsequently proposed a rate stabilization plan to mitigate the impact of the required increase on our customers.**
- **The County requests feedback and support from the cities through their Technical Management Committee representatives.**

Technical Management Committee

- **The Technical Management Committee (TMC) is comprised of representatives for all cities within Pinellas County and serves as an advisory body to the Department of Solid Waste.**
- **In accordance with Pinellas County Code 106, the TMC shall annually recommend a tipping fee to the Board of County Commissioners.**



Rate Stabilization Philosophy

- The tipping fee has remained constant at \$37.50 per ton since 1986.
- Projected “required” tipping fees are calculated by subtracting projected expenses from projected non-tipping fee revenue, then dividing that difference by the total projected waste tons processed.
- Rather than adjust tipping fees upward or downward from year to year, the fee has been held constant. Reserves have been used as a “stabilization” fund.



Historical Tipping Fee Calculations

Tipping Fee Calculations & Ending Fund Balance
Ending Fund Balance Actuals (FY11-FY15), Budgeted (FY16-FY17)



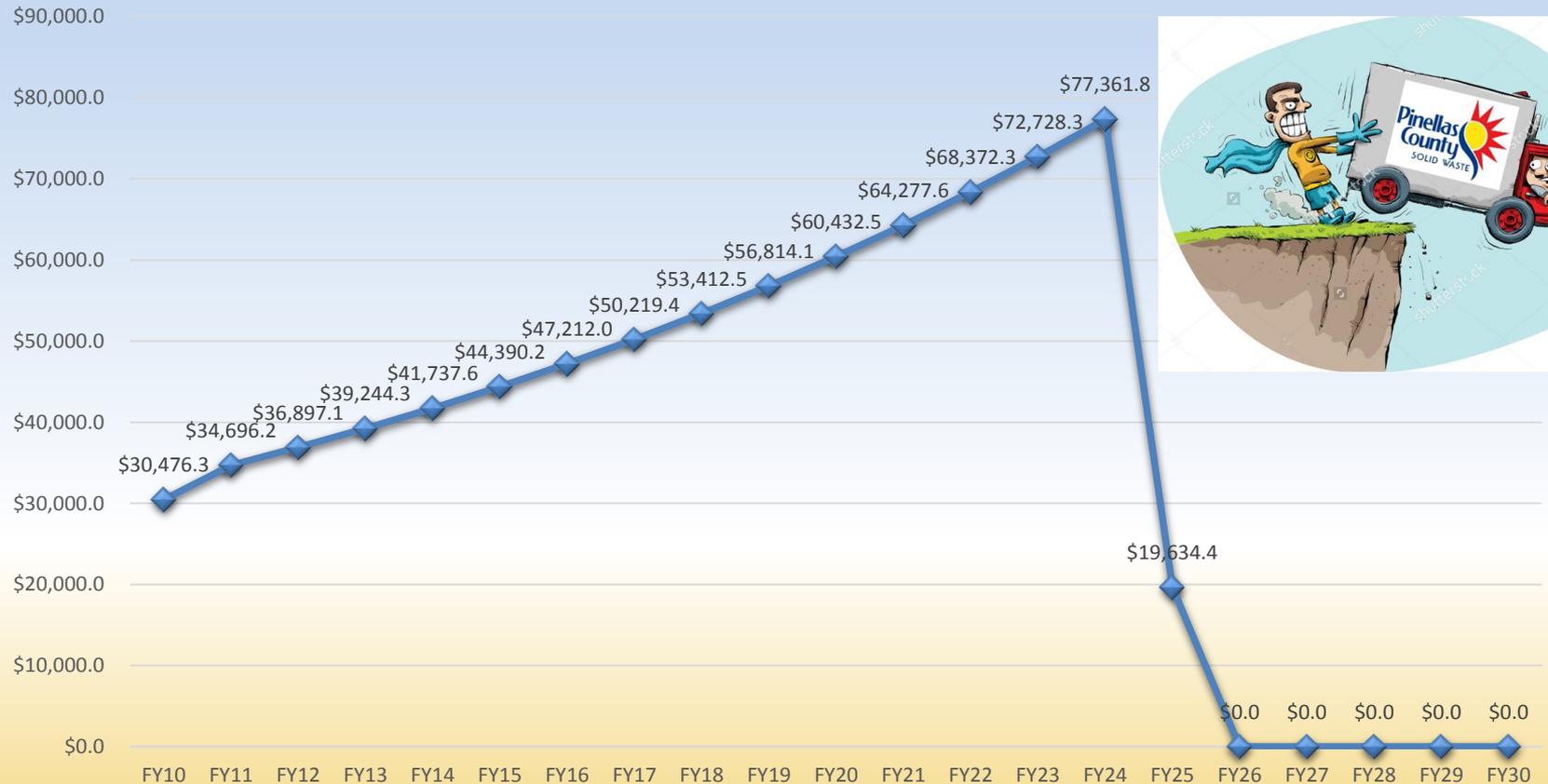


Rate Stabilization Philosophy (cont.)

- The capacity payment from the County's Power Purchase Agreement (PPA) with Duke Energy is currently the largest source of revenue for the Solid Waste enterprise funds.
- The capacity payment increases 6% per year, by contract, which has offset the impact of inflation and allowed the County to maintain the tipping fee at \$37.50 per ton.
- The PPA expires Dec 2024. Based on the current standard offer conditions (as supported by recent PPA renewals in other municipalities), the County can expect to see a significant decrease in capacity revenue at that time.
- There will be a significant increase in tipping fees required by (estimated) FY30 to cover operating costs. Implementing tipping fee increases earlier will allow for a more manageable and gradual increase.

Capacity Revenue

Electrical Capacity Revenue (\$K)
Current Standard Offer



Closure and Post Closure Care

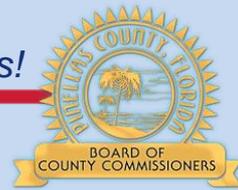
- The cost for landfill closure is significant and may come at a time when the Solid Waste Department has significantly less revenue.
- Post Closure Care is required for a minimum of 30 years after the landfill is certified as closed.
- These two costs constitute an unfunded liability for the County.
- The County has implemented partial closure and will continue to close portions of the landfill as they are completed. Partial closures enable spreading the closure costs out over the life of the site. (These costs are included in the financial model.)
- The County proposes to create a separate Post Closure Reserve Fund, or increase the recommended minimum reserve level, to account for Post Closure Care Costs. This funding was also included in the financial model.
- Building reserves for Post Closure Care allows us to fund for the landfill's "retirement / pension."

Model Assumptions

- **Costs will remain constant, with inflationary increases based on expected Consumer Price Increases.**
- **Revenues from the Power Purchase Agreement will decrease: the capacity payment will be eliminated (or significantly reduced) and there will be a slight increase in the per MW rate for electrical revenue.**
- **The County will continue to operate the landfill and Waste-to-Energy plant, as well as other currently existing ancillary programs.**
- **Post Closure Care required reserves will be funded over time.**

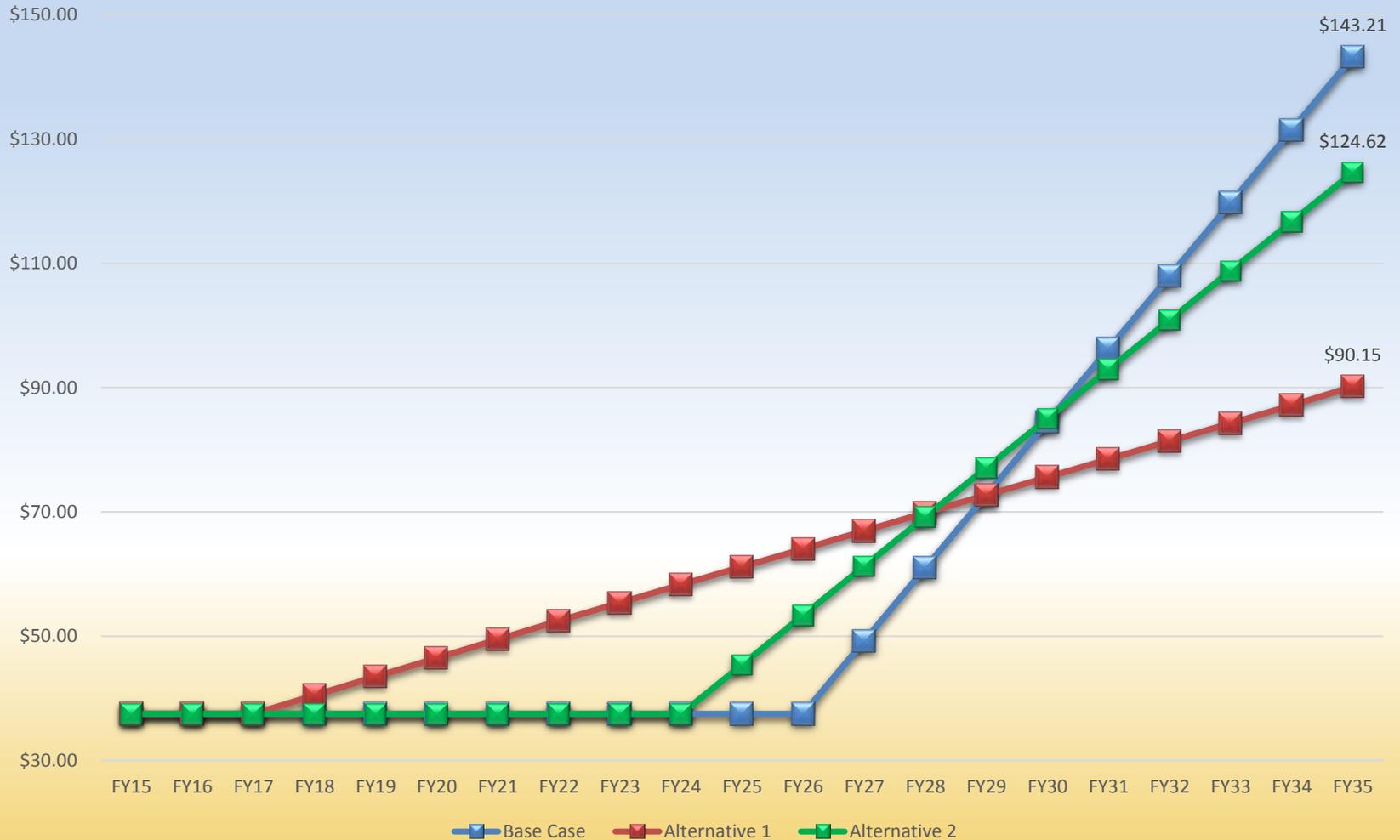
Model Outputs

- **Base Case – Assumes the County maintains the tipping fee at \$37.50 per ton until “post-capacity payment” reserves are depleted to minimum required level (estimated to occur in FY27). At that time, tipping fees are increased as required to maintain minimum required reserves.**
- **Alternative 1 – Tipping fees are increased beginning in FY18 and continue to increase gradually over time.**
- **Alternative 2 – Tipping fees are increased beginning in FY25 (after expiration of PPA) and increase over time.**



Model Outputs Graph

3 Tipping Fee Alternatives





Model Outputs Table

	Base Case	Alternative 1	Alternative 2
FY15	\$37.50	\$37.50	\$37.50
FY16	\$37.50	\$37.50	\$37.50
FY17	\$37.50	\$37.50	\$37.50
FY18	\$37.50	\$40.50	\$37.50
FY19	\$37.50	\$43.50	\$37.50
FY20	\$37.50	\$46.50	\$37.50
FY21	\$37.50	\$49.50	\$37.50
FY22	\$37.50	\$52.50	\$37.50
FY23	\$37.50	\$55.39	\$37.50
FY24	\$37.50	\$58.28	\$37.50
FY25	\$37.50	\$61.16	\$45.42
FY26	\$37.50	\$64.05	\$53.34
FY27	\$49.25	\$66.94	\$61.26
FY28	\$60.99	\$69.83	\$69.18
FY29	\$72.74	\$72.71	\$77.10
FY30	\$84.48	\$75.60	\$85.02
FY31	\$96.23	\$78.49	\$92.94
FY32	\$107.97	\$81.38	\$100.86
FY33	\$119.72	\$84.26	\$108.78
FY34	\$131.46	\$87.15	\$116.70
FY35	\$143.21	\$90.15	\$124.62

Recommendation

- **The County recommends adopting the Alternative 1 Rate Stabilization Plan, increasing the tipping fee beginning FY18.**
- **This approach has the least impact to customers, allowing them to adjust gradually to the increases rather than incurring a sudden and large increase in fees.**
 - **This “gradual adjustment” approach is similarly employed by several Pinellas County municipalities for their respective water, sewer, and/or solid waste rates.**
 - **Pinellas County also employs a similar “gradual adjustment” approach for its water and sewer rate structures.**
- **Actual revenues and expenditures will be evaluated annually, along with the impacts of any new / changed programs, and adjustments will be made to tipping fee increase accordingly.**
- **The County will evaluate methods to reduce expenses and increase revenues, including various alternatives to the PPA and the timing of renewal.**

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Thank you