

**RAPPAHANNOCK REGIONAL SOLID WASTE
MANAGEMENT BOARD**

SPECIAL MEETING AGENDA

**STAFFORD COUNTY
GEORGE L. GORDON GOVERNMENT CENTER
BOARD OF SUPERVISORS CHAMBERS
STAFFORD, VIRGINIA**

**September 3, 2014
7:00 P.M.**

- A. CALL TO ORDER.**
- B. ROLL CALL TO DETERMINE QUORUM**
- C. PRESENTATIONS BY THE PUBLIC**
- D. PRESENTATIONS BY R-BOARD MEMBERS**
- E. REPORT OF R-BOARD ATTORNEY**
- F. UNFINISHED BUSINESS**
 - 1. Financial Discussion**
- G. NEW BUSINESS**
 - 1. Future Meeting Schedule**
- H. CLOSED SESSION (IF NECESSARY)**
- I. NEXT REGULARLY SCHEDULED MEETING**
November 19, 2014, Board of Supervisors Chambers, Stafford County
Administration Center, 1:30 PM
- J. ADJOURNMENT**



Rappahannock Regional Solid Waste Management Board

489 Eskimo Hill Road • Stafford, Virginia 22554 • 540-658-5279 • FAX 540-658-4523

TO: R-Board Members

FROM: Keith Dayton *Kathy*
Deputy County Administrator

DATE: September 3, 2014

SUBJECT: **R-Board Financial Discussion**

R-Board members were provided some background on the current financial condition of the landfill at the August 20 meeting. Also included were alternatives for reducing expenses through service reductions, and increasing revenues through a variety of measures. The table listing alternatives for reducing expenses and raising revenues are attached to this document.

During the August meeting it was noted that a combination of expense reductions and/or revenue increases amounting to approximately \$1.4 million is necessary to establish a sustainable financial outlook. The derivation of this value is provided below:

• Anticipated FY2015 Budget Shortfall	\$114,000
• Expected FY2014 Operating Loss	\$575,000
• Cell F2 Debt Service	<u>\$700,000</u>
TOTAL	\$1,389,000

The R-Board adopted significant expenditure reductions and revenue enhancement measures in the FY2015 budget which should prevent a repeat of the FY2014 operating deficit; however, it is expected that the FY2014 audit will reflect depletion of the restricted fund balance which should be restored as soon as possible. The FY2015 budget shortfall may be erased by improved revenue performance under the recent recycling contract, although it is too soon to accurately predict the extent of revenues from that source.

While the Cell F2 expenses represent the only recurring expense among those listed above, the R-board should consider adopting measures which generate surplus revenues of approximately \$700,000 per year over the estimated debt service expenses to allow restoration of the unrestricted reserve fund balance. In addition to providing available funds to meet unexpected operating expenses, a substantial unrestricted reserve fund will allow construction of future cells without debt, and to consider alternatives involving diversion technologies for municipal waste.

There are many expense reduction/revenue enhancing options available for the R-Board to consider for meeting the \$1.4 million target. One option is provided below. Note that there are also options to alter the effective dates and/or phase in these measures which would lessen the immediate impact of the changes, but also affect revenue performance.

• Increase Commercial Tipping Fees by 5%	\$154,500
• Assess Tipping Fees at \$34/ton*	\$125,000
• Eliminate Sunday operating hours	(\$62,000)
• Implementation of \$3 per trip user fees for all landfill patrons	<u>\$1,000,000 (net)</u>
TOTAL	\$1,341,500

* Stafford County is currently providing funding at \$41/ton for services

The revenue and expense values provided in the above example are estimates developed from FY2014 yearend data, a week long survey of customer use at the Belman Road and Eskimo Hill Road convenience centers, and assume no change in customer patterns which might result from implementation of the tipping fee modifications. Actual financial performance from these changes could be significantly different than these estimates. The net total revenue also includes \$150,000 in personnel costs to manage the residential billing program.

A second option below would increase the per trip cost, but offer large discounts for multi-trip and annual passes. This option would also restore weekend service levels for our residential drop off patrons. Again, it is possible to alter the effective dates and/or phase in these measures to lessen the immediate impact of the changes.

• Increase Commercial Tipping Fees by 5%	\$154,500
• Assess Municipal MSW Tipping Fees to \$34/ton	\$ 53,970
• Assess Municipal C&D Tipping at \$41/ton	\$107,713
• Restore Saturday operating hours from 8 am to 5 pm	Negligible
• Implementation of \$4 per trip user fees for all landfill patrons*	<u>\$1,081,526 (net)</u>
TOTAL	\$1,397,709

* Customers could purchase an annual pass for a 33% discounted rate. Staff previously calculated that an annual charge of \$150 represents a fair cost for services provided, and is comparable to the tipping fee portion of resident's bills for commercial curbside trash service. The reduced annual fee would be \$100. Customers could purchase a 10 trip pass for a 25% discount, or \$30. We have calculated a 20% reduction in net revenues as a result of these discounts, as well as the personnel costs to manage the program.

Staff provided responses to questions from R-Board members related to financial matters since the last meeting. These are as follows:

1. What is the percentage of effort the litter crew dedicates to serving each locality?

In FY2014, the litter crew spent 94% of the time cleaning roads in Stafford County, with the balance spent on streets in the City.

2. What is the estimated revenue to be expected if only the customers using the Belman Road convenience center are charged?

Based on the recent customer survey, and assuming no change in usage patterns, this would generate approximately \$355,500, of which \$200,500 would be from City residents, and the remaining \$155,000 would come from County customers.

3. What is the distribution of municipal payments per the landfill operating agreement?

The operating agreement stipulated that the localities would contribute the amount of any operating loss based on the prior year audit records, and in a proportionate share to their respective use of the landfill. The last audit from FY2013, documented a \$697,909 operating loss. Using the distribution included in the agreement of 68.3% and 31.7% for the County and City, respectively, the reimbursement distribution would be as follows:

Stafford	\$476,672
Fredericksburg	<u>\$221,237</u>
TOTAL	\$697,909

KCD:kd

Attachment: (as noted)

**R-Board Financial Options Summary
August 20, 2014**

Expenditure Reductions	Consequences	Expense Reduction
Operations Expense Reductions	The R-Board has reduced the operating budget 3.5% in FY14 and 6% in FY15. Further cuts without a reduction in service will impact regulatory compliance.	TBD
Decrease Landfill Hours - Close Sundays	Elimination of Sunday hours is not enough to reduce staff, but saves in equipment costs. Will concentrate traffic on Saturday where we already see 1,000 vpd. Will be very difficult to serve more traffic.	\$62,000
Close Belman Road Location	Southern Stafford and City residents would lose the convenience of an easily accessible facility. Some traffic associated with the use of the Belman facility would be shifted to Eskimo Hill.	\$225,000
Eliminate Litter Control	Complete loss of litter control efforts in Stafford, and lesser levels of support in the City. Also lose oversight of volunteer and inmate/probationer programs that have resulted in collecting approximately 450 tons of litter each year. Loss of illegal sign removal program.	\$275,000
	Total Reductions	\$562,000
Revenue Enhancements	Consequences	Revenue Increase
Raise Commercial Tipping Fees	The increase in tonnage received in FY14 indicates there may be some flexibility to raise tipping fees. Total tonnage increased 14%, but only 5.7% in our main billable categories. Significant tipping fees increases could result in billable materials being diverted to private landfills. Example at right represents an increase of approximately 5%	\$154,500
Charge \$3 per Visit for Residential Drop-off	<u>Advantages:</u> sufficient revenue to fund operational and capital costs; equitable charge system when compared to residents contracting with commercial services; discourages businesses from using the convenience locations to avoid waste disposal charges; reduction in vehicle traffic at the convenience centers; effective means of reducing quantities of waste delivered to the landfill. <u>Disadvantages:</u> Resistance from customers used to the free service; increase in illegal dumping; Additional staff demands to process payments, monitor activity, and collect charges at the convenience centers - estimated cost of \$150,000	\$1,000,000
City/County Pay Unsubsidized Rates	Charging the City collections at an unsubsidized rate of \$41/ton would increase revenues substantially. The County would see only a minor change as most of those collections are made by commercial services and paying standard gate rates. The \$40,000 annual payment is well in excess of gate rates.	\$188,000
Reinstate Local Government Subsidy	Consistent with the Operational Agreement establishing the R-Board. City and County would have to budget additional funds in an already challenging budget year. Allows R-Board to return to financial sustainability. Amount at right represents the funding stipulated in the Agreement (FY13 operating loss), with \$475,000 from Stafford and \$223,000 from the City.	\$698,000
	Total Increases	\$2,040,500