

SOLID WASTE FUNDS

Description

Pinellas County Solid Waste provides safe and environmentally sound integrated solid waste services to all citizens of Pinellas County. These services emphasize public awareness and communication to enable the citizens to make educated choices concerning proper management of their solid waste and to help maintain the quality of life in Pinellas County. In support of that mission, Solid Waste operates the landfill, the waste-to-energy plant, hazardous waste collection, recycling programs, and litter-reduction program.

The Solid Waste Funds are enterprise funds, and are committed solely to support Solid Waste functions. Solid Waste utilizes two funds: Revenue and Operating, and Renewal and Replacement (capital).

Summary

The Pinellas County Solid Waste Funds are enterprise funds dedicated solely to supporting the Solid Waste functions.

The forecast for the Solid Waste Funds shows that the fund is balanced through the forecast period. Solid Waste tipping fees and electricity sales revenues have declined with the slower economy, but will remain sufficient to fund operations and maintain sufficient reserves during the forecast period. Reserves are being accumulated for future capital replacement needs consistent with their 25 year capital plan.

Revenues

The Solid Waste Funds generate revenues budgeted in FY2014 totaling \$92.1 million. The Solid Waste Funds consist almost exclusively of two primary funding sources: tipping fees of \$33.8 million and electricity sales of \$53.3 million.

Tipping Fees

Solid Waste charges \$37.50 per ton for all waste brought to the Solid Waste Facility. The rate has not changed since 1988, and no rate increase is proposed for FY2014; however a rate study will be conducted by an outside consultant for the period of time through FY2030. The volume of waste brought to the Solid Waste Facility is expected to increase slightly in FY2014. The amount of waste brought to the facility is affected by economic conditions and levels of recycling.

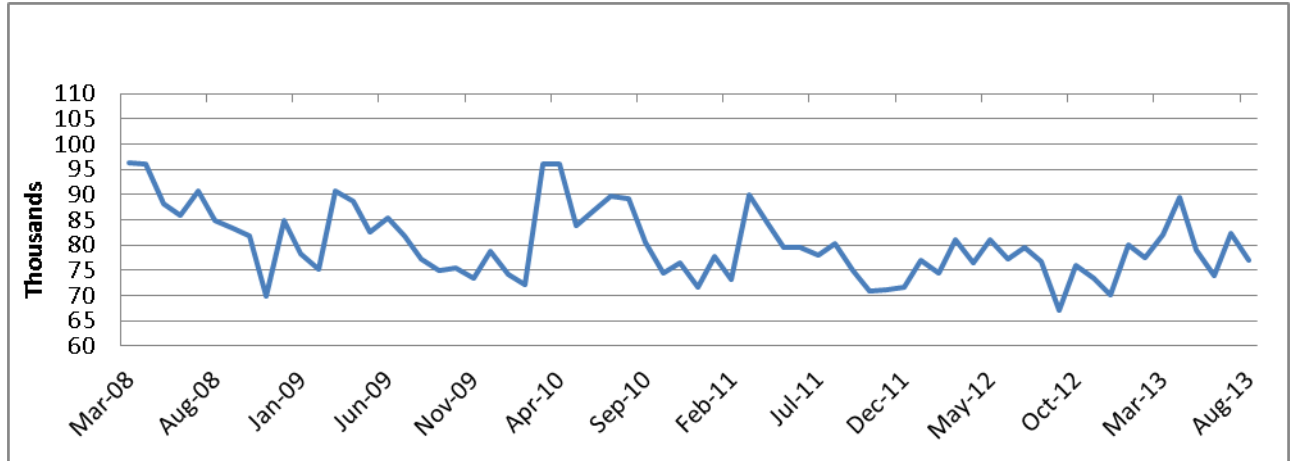
Electricity Sales

Solid Waste receives revenue from the electrical capacity contract with Progress Energy for power produced by the waste-to-energy plant. The revenue from this contract is defined by rates specified in the contract, which expires in 2024. Solid Waste also receives revenue for electricity sales in excess of the capacity contract with Progress Energy. This revenue stream is affected by the amount of waste received by the plant and the operating capacity of the plant.

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Due to slow growth in the economy and no planned increases in plant capacity for the next ten years, this revenue is forecast to increase by 0.5% per year from FY2014 through FY2023.

The graph below shows the tons of waste delivered to the Solid Waste Facility.



Source: Pinellas Co. Solid Waste Mgmt. Tonnage Activity Reports

Interfund Loan Repayment

Debt service revenues over the forecast period are associated with an interfund loan from the Solid Waste Renewal and Replacement Fund to the Capital Improvement Fund. On September 21, 2010 the Board authorized an interfund loan up to \$85 million to assist with cash flow in the Capital Projects Fund through FY2019. The original 2010 to 2020 Penny Program was anticipated to be financed with a \$150 million bond issue in order to accelerate several key projects. The benefits of an interfund loan versus bonding include lower borrowing costs, no reserve requirements, interest accrues to a county entity, and more flexibility in the implementation and terms of the loan. Interest will be collected in FY2011 through FY2020, and loan repayment in FY2014 through FY2020.

The outstanding principal in FY2014 will be \$40.5 million (\$15M in FY2010 and \$25.5M in FY2014). The annual rate of interest is a variable rate which is currently less than 1%. Payments on outstanding loan principal are required to begin no later than FY2016 and the loan shall be paid in full no later than December 31, 2019.

Based on the forecast, it is anticipated that the authorized \$85 million will ultimately need to be transferred to the Capital Projects Fund.

Expenditures

The Solid Waste Funds support budgeted expenditures and reserves in FY2014 totaling \$245.8 million. The primary expenditures in the fund are \$29.1 million for the Waste-to-Energy service contract, \$10.3 million for the landfill service contract, and \$41.4 million for capital investment. Budgeted reserves are \$117.0 million.

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Waste-to-Energy Service Contract

Solid Waste is under contract with Green Conversion Systems LLC (GCS) to operate the Waste-to-Energy (WTE) plant. This contract expires in 2024, and has 10 one-year extensions. The stock of the parent company for the original contractor; Veolia ES Pinellas, Inc. was purchased by GCS in 2012.

Landfill Service Contract

Solid Waste is under contract with Advanced Disposal Inc. to operate the landfill. This contract expires in 2015 and has a 3-year extension. The contract was assigned by the original contractor Veolia when the stock of the parent company was sold.

Capital Outlay

Solid Waste maintains its equipment, facilities, and plants in good working order utilizing revenues generated within their enterprise fund. Project decisions for equipment/technology improvements and construction projects are based on condition assessments, permit or regulatory requirements, and recommendations from consultants.

The new Industrial Water Treatment Plant (IWTP) at Solid Waste was the result of an analysis of the entire water balance at Bridgeway Acres. A comprehensive water management study was completed in 2006 to assess the interrelated issues associated with the management of water including water use at the Waste-to-Energy facility, particularly in the cooling towers; permit issues associated with maintaining the inward gradient; and water quality in the main water retention area. The IWTP, in use in FY2013, will enable treatment to the main water retention area to maximize its use at the WTE facility including meeting contractual guarantees with respect to the water quality delivered. It reduces reliance on reclaimed water, increases capacity to the main water retention area, minimizes any discharges required and assures a water supply in the dry spring months.

Personal Services

The Solid Waste System employs 92 full-time employees in FY2014. The Personal Services expenses are for the salaries and benefits of those positions needed to operate the Solid Waste System. Solid Waste System benefits include the cost of Other Post Employment Benefits (OPEB), as proprietary funds are required by GASB #45 to record the entire annual required contribution (ARC) accrual.

Interfund Loan to Capital Projects Fund

The forecast includes a transfer of \$25.5 million in FY2014 from the Solid Waste Renewal and Replacement Fund as part of the interfund loans to the Capital Projects Fund.

Reserves

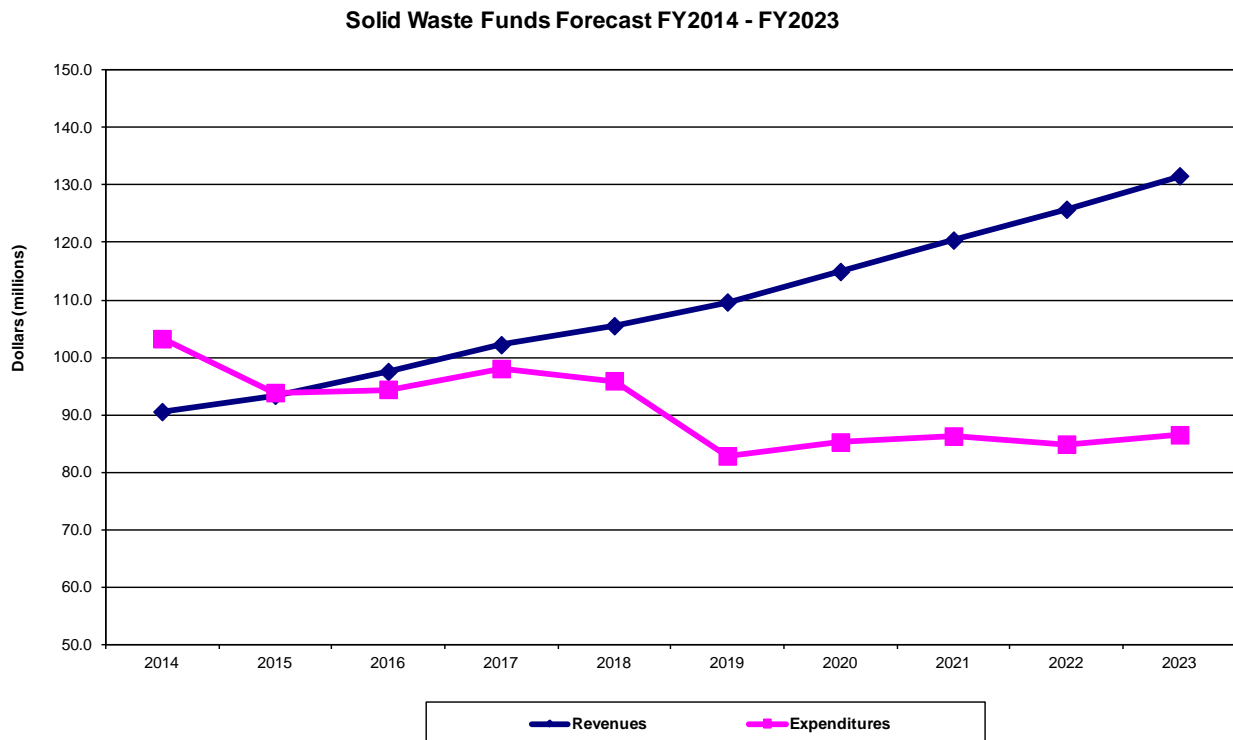
The budgeted FY2014 reserve level in the Solid Waste System is 48%, which is above the 15% reserve level budget policy adopted by the Board. Solid Waste maintains the following reserves: \$7.5 million required reserves per the contract with GCS, \$11 million for insurance deductibles, \$15.6 million for three months of operating expenses, and the remainder of \$82.9 million is for future needs consistent with their 25 year capital plan.

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Ten-Year Forecast

Key Assumptions

The revenue forecast assumes only a 0.5% annual increase in tipping fees and electricity sales throughout the forecast horizon due to the anticipated slow growth in the economy, increased recycling, and no planned capacity increases to the WTE plant. The revenue forecast does not include any increases in tipping fee rates. The economy does affect the tons of waste brought to the solid waste facility, because less consumption means less waste. For expenditures, Personal Services and Operating Expense reflect the forecast trends described in the Key Assumptions section of this document. The capital outlay forecast reflects the construction and purchase needs based on condition assessments, permit or regulatory requirements, and recommendations from consultants. There are large capital needs forecasted from FY2014 through FY2018 in anticipation of tighter regulatory requirements and additional required improvements.



Note: Does not include Capital Projects Fund loan activity

Key Results

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The forecast for the Solid Waste Funds shows that the forecasted revenues are sufficient to provide for the forecasted expenditures over the next ten years, while still maintaining sufficient reserves. (The forecast chart does not include the loans to the Capital Projects Fund or the future repayments from that fund.) Solid waste revenues exceed expenditures from FY2015 through FY2023. In FY2014, expenditures reflect non-recurring costs associated with additional capital outlay improvements. The recurring revenues are sufficient to support recurring operations without any increases in tipping fees. Reserves increase during the forecast period and reach the level of 83% of revenues in FY2023. The reserves are planned to fund considerable future capital replacement needs in the Solid Waste 25-year plan.

Potential Risks

There are some impacts that can alter the ten-year forecast of the Solid Waste Funds. Any continued economic decline would reduce incoming waste, which would reduce revenue from both the tipping fees and electricity sales. The WTE plant could experience more maintenance downtime than anticipated, reducing electricity sales and causing increased capital costs.

Balancing Strategies

Excluding FY2014 with anticipated capital outlay improvements, the forecast does not show any structural gaps in revenues and expenditures as the fund is balanced through the forecast period.

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SOLID WASTE FUNDS FORECAST
Fund 4021 & 4023

Forecast Assumptions	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUES										
Tipping Fees	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Electricity Sales	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Electrical Capacity	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%
Recycling Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES										
Personal Services	4.1%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Operating Expenses	2.0%	2.3%	1.8%	1.7%	1.7%	1.8%	1.7%	1.9%	2.1%	2.1%
WTE Service Fee	1.9%	1.9%	1.9%	2.0%	2.0%	1.9%	1.9%	2.0%	2.0%	2.0%
Landfill Service Fee	1.9%	1.9%	1.9%	2.0%	2.0%	1.9%	1.9%	2.0%	2.0%	2.0%
HEC ₃ Costs	2.0%	2.3%	1.8%	1.7%	1.7%	1.8%	1.7%	1.9%	2.1%	2.1%
Grants & Aids	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cost Allocation	1.9%	1.9%	1.9%	2.0%	2.0%	1.9%	1.9%	2.0%	2.0%	2.0%
Projected Economic Conditions / Indicators:										
Consumer Price Index, % change	1.5%	1.8%	1.7%	2.0%	1.9%	2.1%	2.0%	2.0%	2.0%	2.0%
FL Per Capita Personal Income Growth	2.0%	2.2%	2.2%	1.8%	1.4%	1.5%	1.7%	1.6%	1.6%	1.6%

SOLID WASTE FUNDS FORECAST
Fund 4021 & 4023

(in \$ thousands)	FORECAST (@100%)												
	Actual 2012	Budget 2013	Estimated 2013	Estimated 2014	Estimated 2015	Estimated 2016	Estimated 2017	Estimated 2018	Estimated 2019	Estimated 2020	Estimated 2021	Estimated 2022	Estimated 2023
BEGINNING FUND BALANCE	137,847.9	114,676.8	160,229.8	153,668.1	117,042.6	98,176.8	107,604.7	102,920.6	129,144.0	177,344.8	227,866.5	261,948.7	302,804.2
REVENUES													
Tipping Fees	33,489.9	33,729.2	33,810.0	33,810.0	33,979.1	34,148.9	34,319.7	34,491.3	34,663.7	34,837.1	35,011.2	35,186.3	35,362.2
Electricity Sales	9,781.7	11,294.3	11,572.9	11,572.9	11,630.8	11,688.9	11,747.4	11,806.1	11,865.1	11,924.5	11,984.1	12,044.0	12,104.2
Electrical Capacity	36,897.1	37,281.8	39,244.3	41,737.6	44,390.0	47,212.0	50,219.0	53,412.0	56,814.0	60,433.0	64,278.0	68,372.0	72,728.0
Recycling Revenue	465.0	576.8	1,805.0	1,761.8	1,761.8	1,761.8	1,761.8	1,761.8	1,761.8	1,761.8	1,761.8	1,761.8	1,761.8
Interest	747.8	188.6	198.5	1,227.8	1,170.4	1,963.5	3,228.1	3,087.6	3,874.3	5,320.3	6,836.0	7,858.5	9,084.1
Other revenues	3,133.1	108.1	406.5	409.8	418.0	426.4	434.9	443.6	452.4	461.5	470.7	480.1	489.7
Debt Service on Loan from Capital Fund	31.8	287.1	30.0	75.0	114.7	114.2	124.2	108.4	65.4	3.8	0.0	0.0	0.0
Loan repayment from Capital Fund (Chiller)	0.0	1,500.0	0.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	2,000.0	0.0	0.0	0.0
Loan repayment from Capital Fund	0.0	0.0	0.0	0.0	5,000.0	5,000.0	5,000.0	20,000.0	20,000.0	19,000.0	0.0	0.0	0.0
TOTAL REVENUES	84,546.4	84,965.8	87,067.2	92,094.9	99,964.7	103,815.8	108,335.1	126,610.8	130,996.9	135,742.0	120,341.9	125,702.7	131,530.1
% vs prior year	-1%		2%	6%	9%	4%	4%	17%	3%	4%	-11%	4%	5%
TOTAL RESOURCES	222,394.3	199,642.7	247,297.0	245,763.0	217,007.3	201,992.6	215,939.7	229,531.4	260,140.8	313,086.8	348,208.4	387,651.5	434,334.4
EXPENDITURES													
Personal Services	4,910.7	5,867.8	5,860.1	6,013.7	6,254.3	6,504.5	6,764.6	7,035.2	7,316.6	7,609.3	7,913.7	8,230.2	8,559.4
OPEB	489.6	509.6	509.6	530.5	551.7	573.8	596.8	620.6	645.5	671.3	698.1	726.0	755.1
Operating Expenses *	4,074.6	7,861.1	9,088.1	10,131.5	15,313.9	15,574.2	15,885.7	16,187.5	16,527.5	16,858.0	17,195.2	17,539.1	17,889.9
WTE Service Fee	22,349.1	31,293.5	30,643.3	29,068.6	29,620.9	30,183.7	30,787.4	31,403.1	31,999.8	32,607.8	33,259.9	33,925.1	34,603.6
Landfill Service Fee	8,890.3	11,297.1	10,894.5	10,309.0	10,504.9	10,704.5	10,918.6	11,136.9	11,348.5	11,564.1	11,795.4	12,031.3	12,272.0
HEC ₃ Costs	1,341.8	1,764.2	1,810.9	2,064.0	2,111.4	2,149.4	2,186.0	2,223.1	2,263.2	2,301.6	2,345.4	2,394.6	2,444.9
Grants & Aids	498.7	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0
Cost Allocations	2,902.2	3,277.7	3,267.7	3,781.9	3,849.9	3,915.4	3,993.7	4,069.6	4,155.0	4,238.1	4,322.9	4,409.3	4,497.5
Capital Outlay	16,707.6	40,089.4	31,680.4	41,445.2	25,810.5	24,983.5	27,102.8	23,443.0	8,787.5	9,633.5	9,009.4	5,889.0	5,777.0
Interfund Loan to Capital Fund	0.0	10,000.0	0.0	25,500.0	25,000.0	0.0	15,000.0	4,500.0	0.0	0.0	0.0	0.0	0.0
Expenditure Lapse**	0.0		(625.7)	(624.0)	(687.1)	(701.1)	(716.3)	(731.8)	(747.6)	(763.5)	(780.3)	(797.6)	(815.2)
TOTAL EXPENDITURES	62,164.5	112,460.4	93,628.9	128,720.4	118,830.5	94,387.9	113,019.2	100,387.4	82,796.0	85,220.3	86,259.7	84,847.2	86,484.2
% vs prior year	-3%		46%	37%	-8%	-21%	20%	-11%	-18%	3%	1%	-2%	2%
ENDING FUND BALANCE	160,229.8	87,182.3	153,668.1	117,042.6	98,176.8	107,604.7	102,920.6	129,144.0	177,344.8	227,866.5	261,948.7	302,804.2	347,850.2
Ending balance as % of Resources	72%	44%	62%	48%	45%	53%	48%	56%	68%	73%	75%	78%	80%
TOTAL REQUIREMENTS	222,394.3	199,642.7	247,297.0	245,763.0	217,007.3	201,992.6	215,939.7	229,531.4	260,140.8	313,086.8	348,208.4	387,651.5	434,334.4
REVENUE minus EXPENDITURES	22,381.9	(27,494.6)	(6,561.7)	(36,625.5)	(18,865.7)	9,427.8	(4,684.1)	26,223.4	48,200.9	50,521.7	34,082.2	40,855.5	45,045.9
(NOT cumulative)													
note: non-recurring exp & rev (loan)	(31.8)	8,212.9	(30.0)	23,925.0	18,385.3	(6,614.2)	8,375.8	(17,108.4)	(21,565.4)	(21,003.8)	0.0	0.0	0.0
net recurring rev- exp	22,350.1	(19,281.6)	(6,591.7)	(12,700.5)	(480.4)	2,813.6	3,691.7	9,115.0	26,635.5	29,517.9	34,082.2	40,855.5	45,045.9

* Operating Expenses net of Intergovernmental Charges.

** Expenditure lapse of 1% is calculated on Personal Services, Operating Expenses, Cost Allocation and Grants & Aids. Excludes interfund loans.

Estimated revenues forecasted at 100%.