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CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701

Public Works Department

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MEMORANDUM

TO: Solid Waste Committee

FROM: Terry Wolterstorff PE, Public Works Director

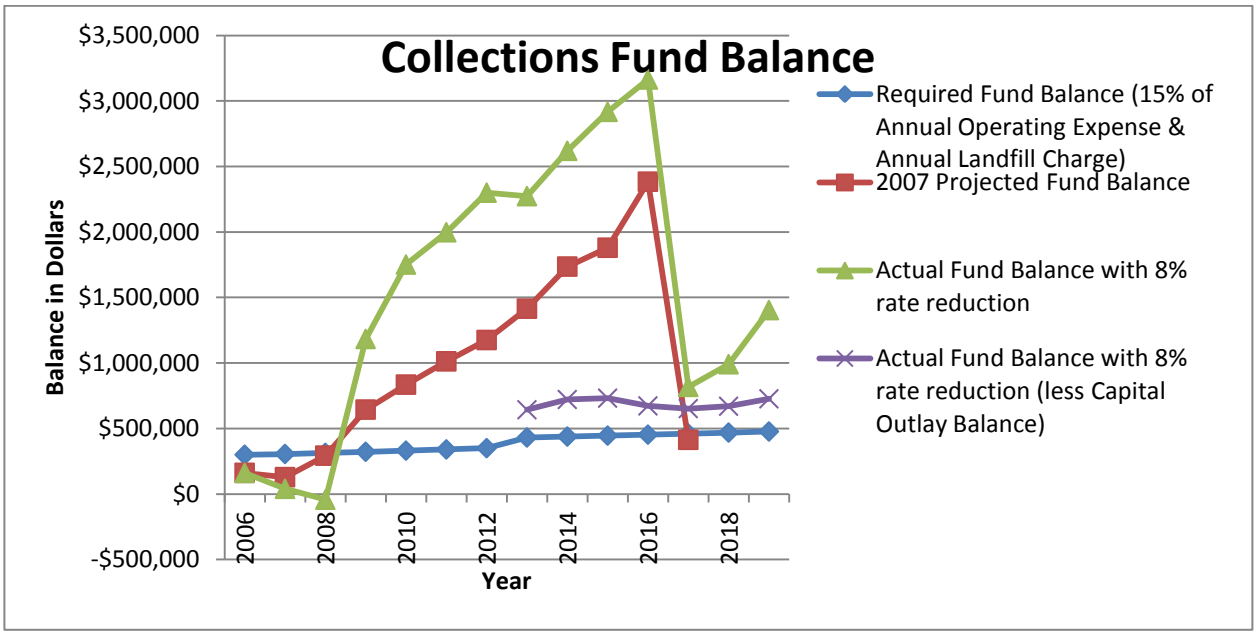
DATE: August 15, 2012

RE: Rate Reduction Proposal

The following is a compilation of data and information used during the review of the rates charged by the Solid Waste Collection Enterprise Fund. It was this data and information that was the basis of the recommended reduction in solid waste collection rates.

Cash Balance

Rate increases recommended in 2007 were based, in part, on very low cash balances in the Solid Waste Collection Enterprise Fund. The recommendation at that time was that the minimum cash balance should be 15% of the projected expenses. Based on the projected expenses (less capital outlays) for 2013, the minimum cash balance should be approximately $431,356. The chart below shows the 2007 collection fund balance projections and the actual cash balance assuming the 8% rate decrease and projected future expenses and revenues discussed below. Attached to this memo is a Solid Waste Collection Fund Balance sheet detailing the past and projected figures.



Expenses

A copy of the 2013 proposed line item budget is attached to this email. These sheets include actual line item expenditures for 2011, approved budget amounts for 2012 and proposed budget amounts for 2013.

The attached Cash Flow Analysis spreadsheet projects 7 years of operating expenses, capital outlays and landfill charges. The proposed 2013 budget was used as the basis for projecting future annual expenditures. A 3% inflation factor was applied to the operating budget. The annual Capital Outlay Budget also included a 3% annual increase. A copy of the 7 year Capital Outlay Budget is attached to this memo and details the fully funded purchase of a new fleet of trucks in 2017.

In addition to the annual operating budget and capital outlay budget, the Solid Waste Collection Enterprise Fund would pay an annual landfill charge to the Solid Waste Landfill Enterprise Fund based on the tonnage of solid waste hauled by the City collections trucks and tonnage hauled by residents at no charge with the use of the utility bills. In 2011 the annual charge would have been $1,282,778 based on 15,027 tons hauled by City trucks and 6,714 tons hauled by residents using utility bills. For the purpose of projecting future costs, the annual landfill charge was estimated at $1,300,000.

Revenues

As of July 31, 2012 there are 18,839 customer accounts. At the current rates approximately $3,910,734 is generated annually. The proposed 8% reduction would reduce that annual revenue generation to approximately $3,619,000. See attached Residential Service Accounts & Revenue spreadsheet.

Summary

When a 3% annual inflation factor is applied to the annual operating expense and capital outlay budget and the existing rates are reduced by 8%, the Solid Waste Collections fund maintains a minimum fund balance above the recommend 15% amount through the year 2016. Beginning in 2017 the rates would need to be increased at the same rate as inflation on an annual basis. My recommendation is to reduce the rates by 8% and review them again in 2016 or earlier if assumptions and projects change.