

# Talking... **TRASH**

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## “TAKING IT TO THE NEXT LEVEL”

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# Assessing Our Department's Financial Health - A Recent Tipping Fee and Assessment Cost of Service Study

Written by Marc Rogoff, SCS Engineers, Richard Allen, Solid Waste Manager and Roger Lescrynski, Project Manager, Charlotte County

Charlotte County was one of the first communities in the state to implement a non ad valorem, special assessment to fund solid waste management operations. Over the past 30 years, this program has expanded well beyond solid waste disposal by inclusion of solid waste collection and recycling services within the overall customer special assessment. Not unlike other communities statewide, Charlotte has been faced in recent years with responding to issues of reduced waste tonnages to its landfill and greatly reduced operational budgets.

In light of these issues, an extensive capital improvements plan, and a possible change in franchise collection operations within the next five years, County managers wanted a fresh look at the Department's cost

of service to help analyze long-term financial health. A final report was submitted to the Board of County Commissioners in July as part of the overall County budget process. This article provides a brief summary of the study, which should be of interest of other communities and agencies statewide facing similar financial issues.

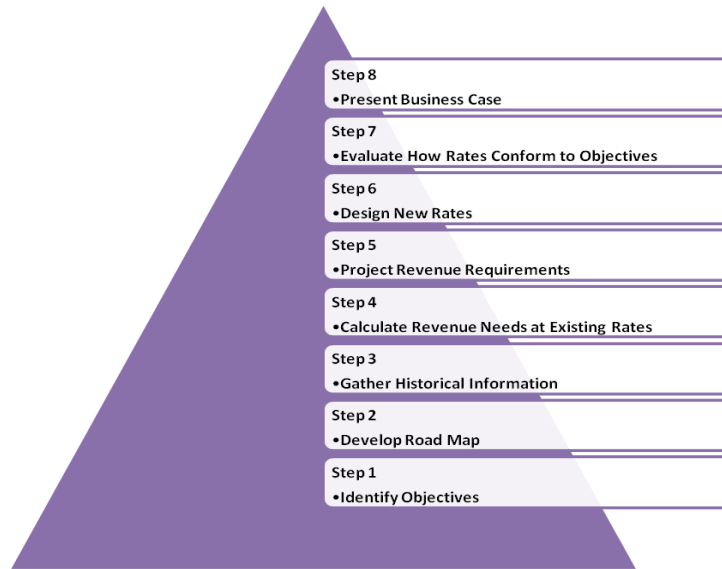
Briefly, the overall objective of a cost of service and rate study design study is to determine the solid waste

fees and assessments required to adequately recover the costs of providing those services to the customers. Based on its solid waste industry experience, SCS worked with County through a series of eight critical tasks (Exhibit 1) that provided a foundation for the conduct of the Study.

In accordance with Florida state law, the solid waste assessment rate developed in this study would be assessed as a non-ad valorem special assessment for solid waste within the Charlotte Sanitation Unit. Therefore, the customer classes included in this rate analysis include the following: Unincorporated Charlotte County, Don Pedro and Knight Islands, and Boca Grande.

Three different options were developed for consideration by the BOCC:

- Option 1, "No Change Option" – This option assumes that the estimated deficits in anticipated revenues would



*Exhibit 1. Cost of Solid Waste Service Planning Steps*  
Using both historical and current Department budget information from its six cost centers, a Pro Forma financial model (Model) was developed, which enabled development of projections of revenue needs of solid waste collection, recycling, and disposal for the upcoming planning period (FY 2014-2018) as well as to model different possible rate structures.

Cost Center	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Landfill	4,134,848	4,223,256	4,313,660	4,406,110	4,500,656
Illegal Dumping	179,589	182,555	186,297	190,119	218,019
Resources	270,512	273,785	279,358	284,589	290,386
Mid County	449,722	459,269	468,454	477,862	487,379
West County	405,631	414,009	423,190	431,960	441,554
CIP	1,877,000	1,673,000	800,000	302,000	720,000
<b>Total Revenue Requirement</b>	<b>\$7,317,302</b>	<b>\$7,225,874</b>	<b>\$6,470,959</b>	<b>\$6,092,639</b>	<b>\$6,657,994</b>

*Exhibit 2. Revenue Requirement by Cost Center*

be met by using existing available funds in the Department's reserves.

- Option 2, "Full Recovery Option" – This option assumed a full recovery of estimated landfill revenue needs.
- Option 3, "CPI Adjustment Option" – This option assumed that an annual estimated 2 percent CPI adjustment would be made in the landfill tipping fee for a partial recovery of the estimated landfill revenue needs.

In discussions with the BOCC, it was believed that the Department's adequate fund reserves at this time could be utilized over the next three years to cover any potential shortfalls in landfill tipping fee revenues and solid waste collection assessments. The current contract with the County's franchise hauler includes a provision for stable collection and recycling rates during this time period. The Pro Forma Model will be used by the County to estimate potential escalation costs when the County enters into contract renegotiation in three years. Exhibits 3 and 4 graphically illustrate a comparison of the proposed assessment and tipping fee rates with those of neighboring communities.

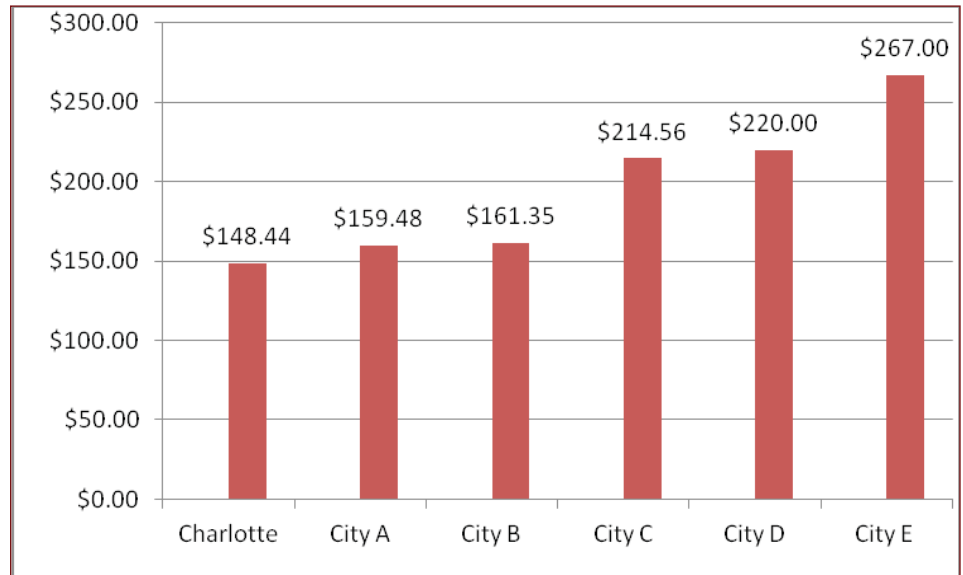


Exhibit 3. Assessment Rate Comparison

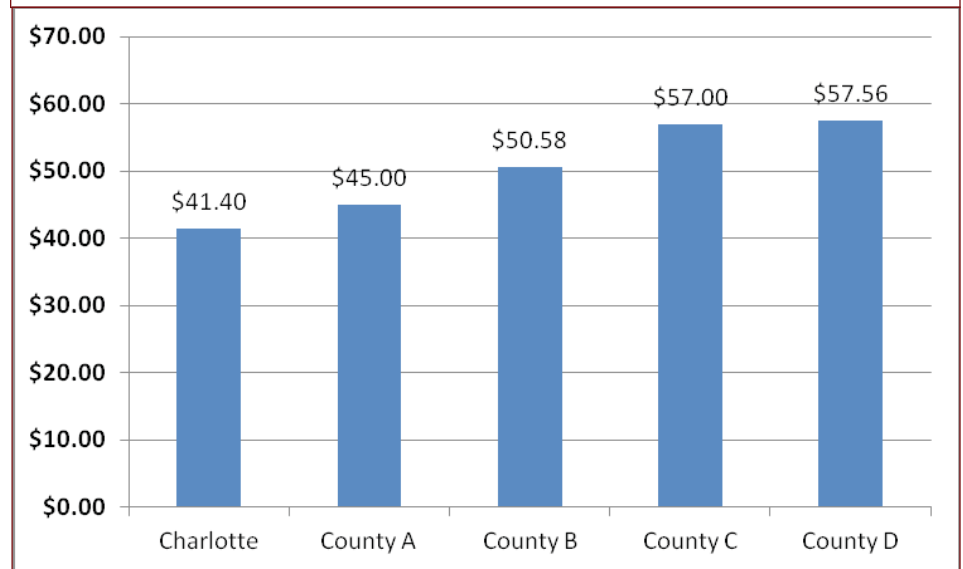


Exhibit 4. Solid Waste Tipping Fee Comparison