

Lee County Solid Waste Financial Policies Overview

BoCC Work Shop
April 19, 2016

Key Points

- Update to FY2016 Revenue Sufficiency Study
- Address Uncertain Revenue Projections and Contract Service
- Approve Solid Waste Financial Policy
- Initiate Long-Term Master Plan to Address Challenges

Challenges

BOCC Decisions

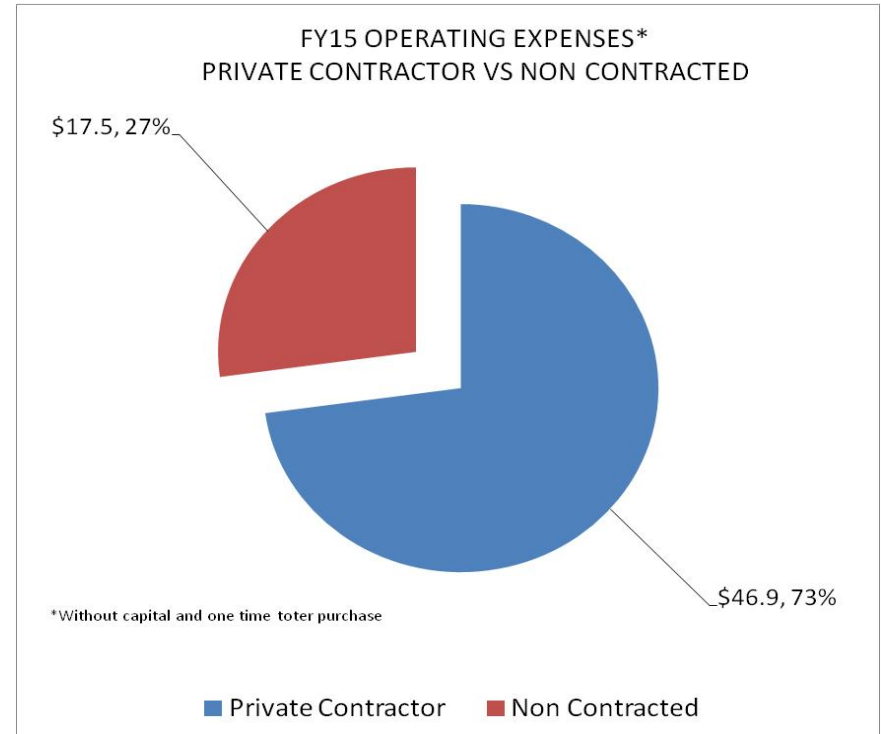
- System Capacity
- Interlocal Agreements
 - Lee/Hendry Landfill
 - Municipalities (2020)
- Service Contracts
 - Franchise Haulers
 - Waste-To-Energy
 - Materials Recycling Facility
 - Electric Sales

Financial Market Driven

- Recycling Revenues
- Metal Revenues
- Electrical Sales (12/31/2016)

Solid Waste Contracts

- Material Recycling Facility Exp. 4/2017
- Franchise Hauling
 - Exp. 9/2017 (Areas 1,2, 3, 5)
 - Exp. 9/2022 (Area 4)
- Waste-To-Energy Exp. 11/2024
 - Early out option 2019
- Landfill Operations Exp. 9/2022
- Non Contracted includes: personnel, fleet maintenance and fuel, consultants, legal, chemicals and other general department expenses



Solid Waste Revenue Composition

\$80.1 Million (FY15)

Determined by BOCC (\$57.9M)

- Disposal Fees (\$26M)
 - Commercial Disposal
- Residential Assessment (\$28.1M)
 - Franchise Haulers
 - Disposal
- Other (\$3.8M)

Market Driven(\$22.2M)

- Recovered Materials (\$3.7M)
- Electric Revenues (\$18.5M)

Budgeted Reserves

- Restricted – Bond Covenant
 - Bond Reserves
 - Renewal and Replacement
- Designated
 - Landfill Closure
 - Capital
- Unrestricted
 - 5 year Capital (\$17.3M)
 - Disaster Recovery (~\$20M)
 - Unanticipated Major Failures
- Rating Agency Recommendations

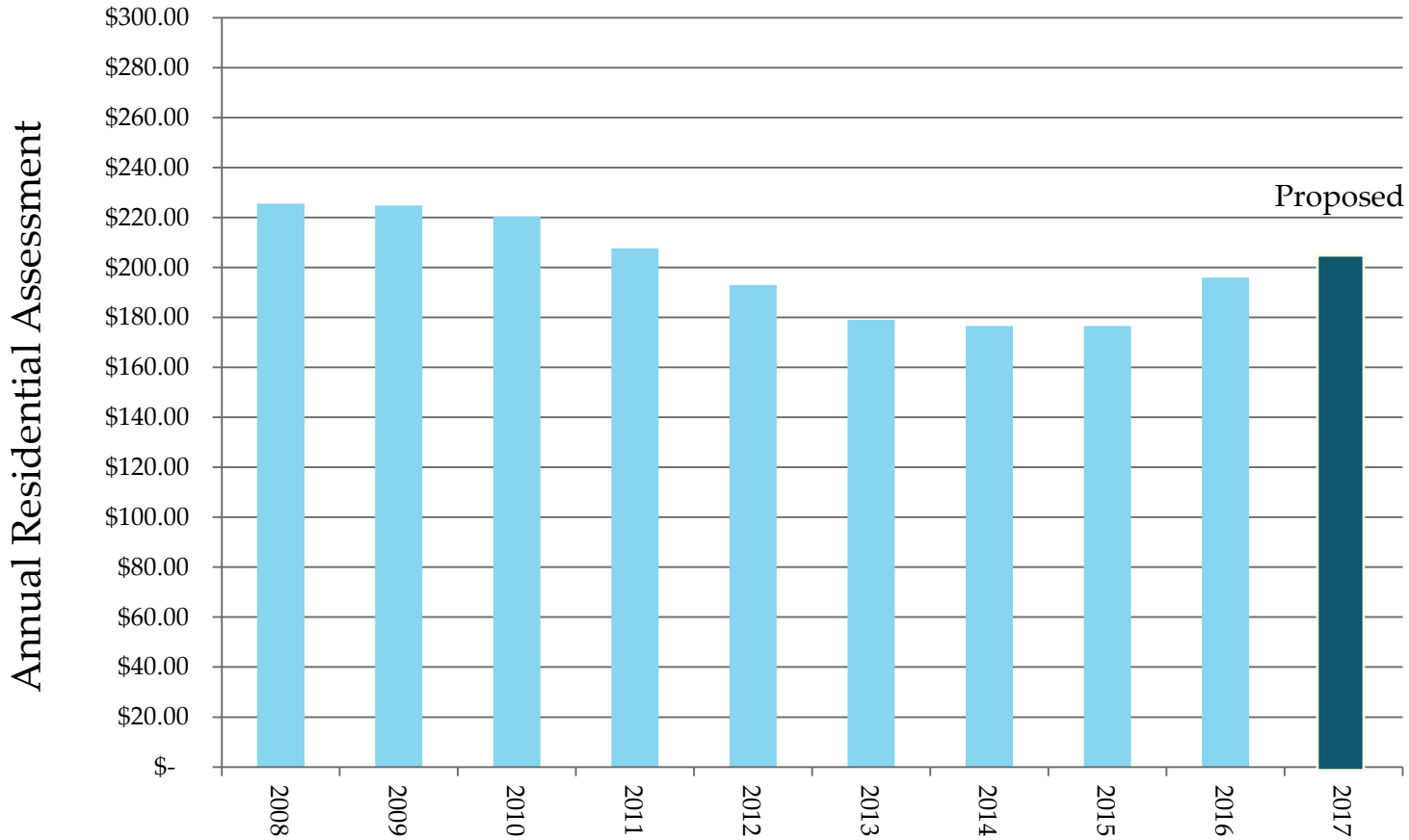
	FY14 (Actual)	FY15 (Estimate)	FY16 (Estimate)
Total Reserves	\$102.7M	\$93.6M	\$91.4M
Restricted – Bond Covenant	\$9.4M	\$9.7M	\$9.8M
Designated-Landfill Closure Reserves	\$9.3M	\$10.1M	\$11M
Designated - Capital	\$8.1M	\$8M	\$4.8M
Total Unrestricted Reserves	\$75.9M	\$65.8M	\$65.8M

FY16 Solid Waste Fee Comparison with Other Florida Counties

Description	Average Residential Assessment*	Tipping Fees			
		MSW	C&D	Yard Waste	Tires
Lee County - Existing	\$195.97	\$31.75	\$31.75	\$24.00	\$80.00
Other Waste-to-Energy Counties					
Broward County	\$301.36	\$40.00	\$40.00	\$50.00	\$110.00
Hillsborough County	\$222.75	\$68.16	\$61.81	\$38.01	\$71.50
Miami-Dade County	\$439.00	\$66.34	\$66.34	\$66.34	\$114.18
Pasco County	\$211.28	\$56.70	\$56.70	\$56.70	\$200.00
Palm Beach County	\$311.52	\$42.00	\$45.00	\$25.00	\$35.00
Pinellas County	\$168.00	\$37.50	\$37.50	\$37.50	\$37.50
Average	\$275.65	\$51.78	\$51.23	\$45.59	\$94.70
Regional Counties (w/o WTE)					
Charlotte County	\$178.62	\$36.00	\$36.00	\$36.00	\$115.00
Collier County	\$188.29	\$54.75	\$67.20	\$36.48	\$164.12
Sarasota County	\$159.48	\$57.56	\$48.96	\$41.37	\$158.60

* Where applicable, amounts shown reflect the gross assessment before early prepayment discounts

Solid Waste Historical Assessments



Rating Agency Analysis

- Current Bond Rating:
Medium Grade Rating (Baa1)
 - Multi-year declines in operating revenues and debt coverage
 - Power Purchase Agreement with Seminole Electric terminates December 2016 (Electrical Sales)
 - Reserve Reductions (365 day minimum target)
 - FY 16 - Budgeted Ending Reserve Estimate \$65.8M vs Operations Expense Budget \$71.0M
 - Failed to meet debt coverage (net rev/debt service) of 1.0 (FY 15)

Adopt Financial Policy to Improve Fiscal Strength

- Provides Framework for Financial Decisions using Published Indicators: Cash Reserves, Debt Capacity, and Capital Re-investment
- Ensures Operating and Long-Term Capital Needs are Met
- Annual Financial Professional Services to Ensure Revenue Sufficiency and Stable Rates
- Engineer of Record to Ensure Maintenance of Existing Assets Per Bond Covenants
- Upgrade Agency Ratings for Favorable Future Borrowing
- Maintain Minimum Operating and Capital Reserves

Capital Improvements

- Major Capital Investment - 10 year CIP
 - Scale Improvements (current) \$900k
 - Electric System Improvements (current) \$750k
 - Integrated Solid Waste Management System Expansion Evaluation \$825k
 - WTE Campus and Recycling Facility Improvements (various projects) \$4.4M
 - Labelle Transfer Station Expansion \$4.5M
 - Landfill Gas Collection System (if required) \$3.5M
 - Landfill Expansion (2022) \$1.5M – design/permitting only

Integrated Solid Waste System Expansion

- Critical Infrastructure is approaching design capacity
- Evaluate current system, define community priorities, gather stakeholder input, develop alternatives
- BOCC to Set Community Vision
- Results:
 - Master Plan Report
 - Capital Improvement Plan
 - Financial Strategies

Next Steps

- Approval of Long-Term Master Plan Project to Address System Challenges – **May 2016**
- Approval of Solid Waste Financial Policy – **May/June 2016**
- Present Revenue Sufficiency Study by Financial Consultant to Establish Rates – **Rate Hearing May 2016**
- Refinance Bonds (Series 2006A) to lower interest rates and annual debt service payment – **June 2016**
- Asset Manager for Electrical Sales and Contracted Service Agreements – **Fall 2016**