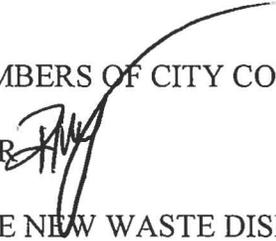


City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 10, 2012

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER 

SUBJECT: BUDGET MEMO #29: IMPACT OF THE NEW WASTE DISPOSAL AGREEMENT ON THE RESIDENTIAL REFUSE COLLECTION FEE

The purpose of this memorandum is to provide information on the impact of the City's new waste disposal agreement, effective in January 2013, on the residential refuse collection fee.

The new Waste-to-Energy facility disposal agreement approved by City Council in January 2012 will reduce the City's cost of waste disposal, from \$84 per ton at present to \$42 per ton mid-way through FY 2013. However, there are costs associated with the close-out of the Waste-to-Energy Trust Fund that will require the residential refuse collection fee to remain at the current rate of \$336 per household in FY 2013. Savings realized by this rate reduction in FY 2014 will provide the City with the opportunity to reduce the residential refuse collection fee, enhance residential solid waste services, or some combination of the two.

Alexandria and Arlington County have operated the Waste-to-Energy facility under agreement with Covanta Energy since 1985 as a more efficient and environmentally sound waste disposal practice than hauling municipal waste to landfills or other facilities in other jurisdictions. Under the terms of that 1985 agreement, with the bonds issued to finance the facility soon to be fully repaid, joint ownership of the facility will be transferred from the Alexandria Sanitation Authority and Arlington Solid Waste Authority to the private operator on January 1, 2013 for a period until 2025. As of the date of the facility transfer, the City and County's waste disposal fees will be reduced from \$84 per ton at present to \$42 per ton under the terms of the new waste disposal agreement.

As a result of the ownership transfer and the new agreement, the Trust Fund established by the City and County to fund a portion of the facility's operating and debt service costs will expire on December 31, 2012. The Trust Fund had been funded through a portion of the waste disposal fees at the facility, which the City and the County have funded through residential refuse collection fees. The Trust Fund's balance has been exhausted midway in FY 2012, and the City and County are responsible for the remainder of the fund's costs through the rest of calendar year 2012. The amount of the shortfall is approximately \$2.5 million, of which the City's 40% share is \$1.1 million.

The City plans to use a portion of the savings from the reduced waste disposal fee to fund its

share of the shortfall. As a result, the residential refuse fee will need to remain at its current rate of \$336 per household in FY 2013, and has been proposed at that rate in the FY 2013 proposed budget. The amount of savings available in FY 2013 will not be sufficient to fund the entire \$1.1 million shortfall, so the FY 2013 proposed budget reflects appropriating \$471,429 in fund balance in FY 2012 to fund the difference and restoring fund balance from disposal fee savings in FY 2013 and FY 2014. This use of fund balance in FY 2012 allows the rate to remain constant without an increase in FY 2012. Even with the use of a portion of the disposal fee savings to repay fund balance, the reduced disposal fee will provide the opportunity to begin reducing the residential refuse fee in FY 2014 and further reducing it in FY 2015.

The following table presents the City’s plan for funding the Waste-to-Energy trust fund shortfall in FY 2012 through FY 2014.

WTE Trust Fund Shortfall	FY 2012	FY 2013	FY 2014	Total
City's Share	\$671,429	\$467,318	\$0	\$1,138,747
Use of Disposal Cost Savings	(200,000)	(717,195)	(221,552)	(1,138,747)
Use of/(Return to) Fund Balance	\$471,429	(\$249,877)	(\$221,552)	\$0

- The FY 2012 disposal cost savings of \$200,000 represents estimated year-end savings at the residential refuse collection fee of \$336 and the current waste disposal cost of \$84 per ton.
- The FY 2013 disposal cost savings of \$717,195 represents the estimated savings at the current residential refuse collection fee of \$336 and the waste disposal cost being reduced from \$84 per ton to \$42 per ton mid-way through the fiscal year.
- The FY 2014 disposal cost savings of \$221,552 represents the amount of disposal cost savings required to fully repay fund balance. Since the amount of savings generated by a full year at the \$42 disposal rate would exceed the amount required to restore fund balance, the City will have the opportunity to lower the \$336 rate, enhance City solid waste services (such as instituting a yard waste recycling/mulching program), or some combination of the two.

For cash flow purposes, an appropriation of fund balance in FY 2012 has been included in the supplemental appropriation ordinance docketed for Tuesday, April 10, 2012. Fund Balance will be used to pay a portion of the City’s share of the shortfall in FY 2012 and will be restored in FY 2013 and FY 2104 from waste disposal cost savings.

STAFF: Laura Triggs, Acting Chief Financial Officer
 Morgan Routt, Acting Budget Director
 Kendel Taylor, Assistant Budget Director