

## **Staff Report: Revenue and Expenditure Forecast**

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Since January 2009, District revenues have declined 13.4%, or \$166,000. Staff anticipates 2009 revenues will equal \$2,865,000 which includes landfill tipping fees and FEMA reimbursement from the September windstorm. Excluding the FEMA reimbursement, District revenue will total approximately \$2.6 million.

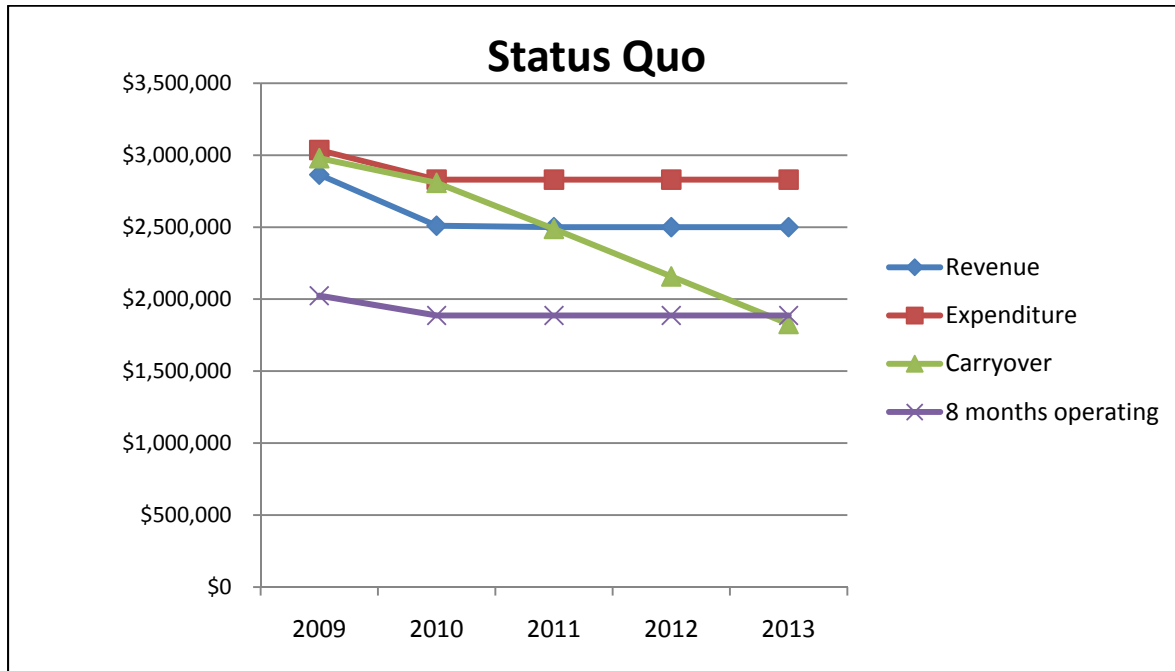
Staff would like to be prepared for a decline in future revenues and has compiled this report to provide the Policy Committee with three potential scenarios and the impact they could have on the District's carryover balance and programs. Staff is seeking direction from the Policy Committee on ways to reduce expenses to be more in-line with the expected revenue reduction. These are not easy decisions to make, and Staff is not asking that any decisions be made at the July 18<sup>th</sup> Policy Committee meeting. However, by beginning the discussions now, any program modifications could be implemented by 2011.

The scenarios presented are based on the following information:

1. The projections presented are for the years 2009 – 2013. 2013 was chosen as the end year because the update of the District's Solid Waste Management Plan will go into effect in 2013. New and/or revised programs and revenue projections will be incorporated as part of the Plan Update process.
2. Revenue is reduced to \$2.5 million and remains at this amount from 2010 - 2013. \$2.5 million is approximately a 17 % reduction compared with 2007 and 2008 revenues.
3. Three expenditure scenarios are presented: \$2.83 million/year, \$2.73 million/year (\$100,000 reduced from budget in 2011), and \$2.6 million/year (\$230,000 reduction in one year). Included in each scenario are potential impacts to District programs and the carryover balance.
4. Revenue reductions presented are based off of the proposed 2010 budget of \$2.83 million.

### **Scenario 1**

Scenario 1 illustrates a decrease in the carryover balance if the District continues with no changes to its programs. In this scenario, revenues remain flat at \$2.5 million and expenditures remain steady at \$2.83 million. Under this scenario, there are no major changes to District programs. Expenditures would be very similar to the proposed 2010 budget.



### *Concerns*

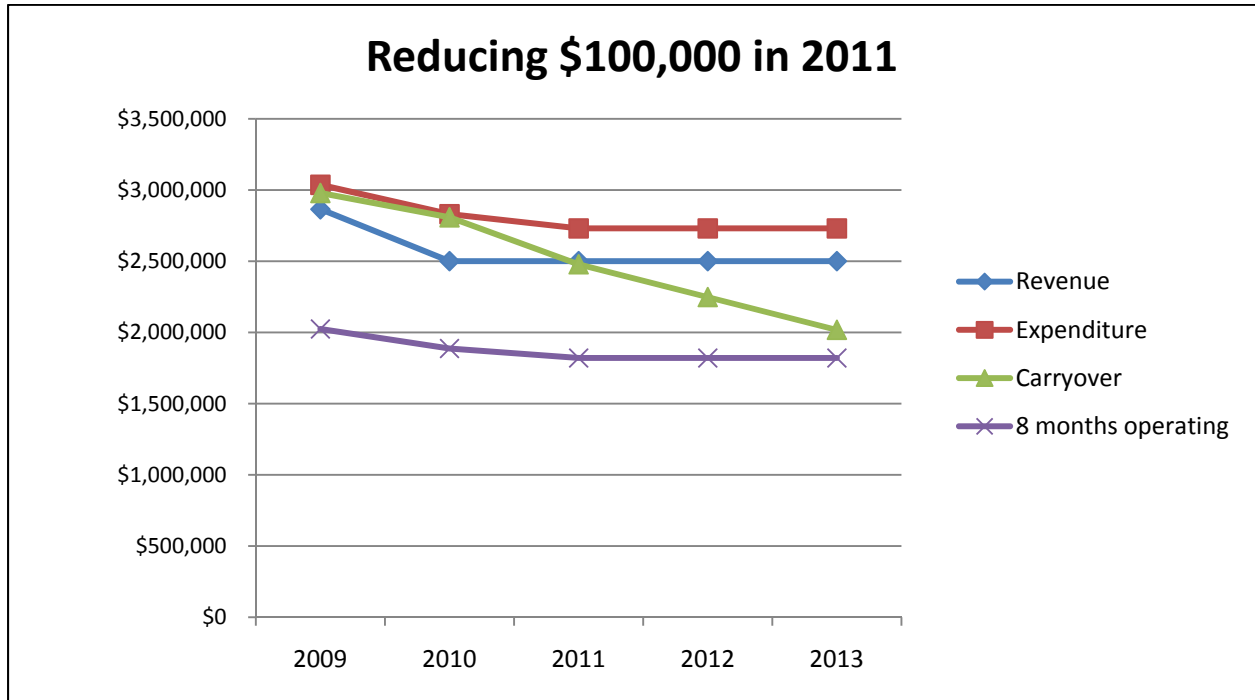
The primary concern with this scenario is that by January 1, 2013, the District's carryover balance will be reduced to less than eight months operating. A carryover balance of at least eight months operating has been a guiding principle of the Policy Committee. In addition, by depleting the carryover balance below eight months operating, there will be no funds available for new projects or emergencies. In the past, the carryover balance has been used to fund programs such as the RecycleBank pilot project and to provide stability to core District programs if revenues are lower than anticipated.

### *Impact on Programs*

The amount budgeted for programs would be very similar to the proposed 2010 budget. The proposed 2010 budget provides funding for all District programs including: household hazardous waste, yardwaste, electronics, community grants, health departments, business programs, and education programs. While some costs may increase due to inflation, overall, it should not drastically affect the types of programs offered.

## **Scenario 2**

Scenario 2 illustrates the impact on the carryover balance and District programs if the budget is reduced by \$100,000 in 2011. In this scenario, revenues remain flat at \$2.5 million and expenditures are reduced to \$2.73 million. Changes to District programs will be required.



### *Concerns*

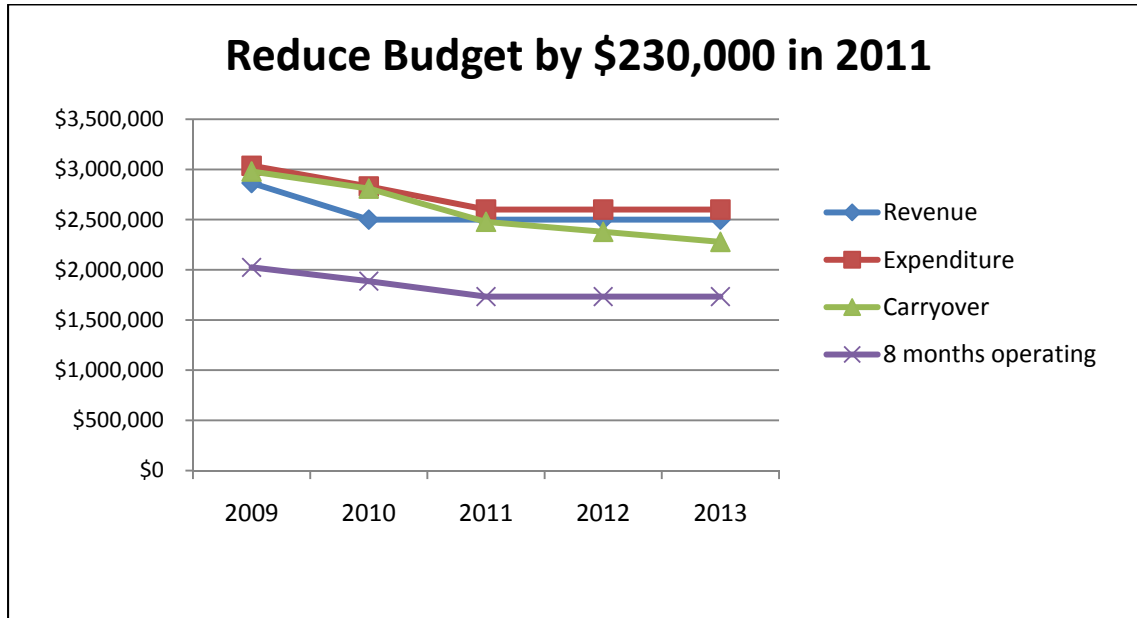
Under this scenario, the carryover balance remains slightly above eight months operating. However, the carryover will be below eight months operating on January 1, 2014. Given the reduction in the carryover, excess funds will not be accessible for new programs and/or emergencies. In addition, changes in programs must be implemented in 2011.

### *District Programs*

Under this scenario, there will be significant changes to District programs. Those changes could include: closing one yardwaste drop-off site, eliminating computer recycling programs, and reducing household hazardous waste funding.

### Scenario 3

Scenario 3 illustrates the impacts on District programs and the carryover balance if expenditures are reduced by \$230,000 in 2011. In this scenario, revenues continue to remain flat at \$2.5 million and expenditures are reduced to \$2.6 million. Although this scenario protects the carryover balance, there will be major reductions in District programs. Examples of the types of program reductions are detailed below.



#### *Concerns*

Under this scenario, the carryover balance remains greater than eight months operating by approximately \$500,000. This will allow the District to access the carryover for new projects. The concern with this scenario is there will be reductions in programs, as described in detail below.

#### *Impact on Programs*

Reducing \$230,000 in 2011 will have drastic changes to the District programs. The District's largest programs include:

1. Residential Recycling Incentive Program – \$1,050,000
2. Health Departments - \$398,064
3. Household Hazardous Waste - \$255,000
4. Yardwaste Drop-Off Sites - \$213,000

It will be virtually impossible to reduce \$230,000 from the District's budget without changing one or more of these programs. **The Residential Recycling Incentive Program cannot be modified per the current Solid Waste Management Plan.** The current Solid Waste Management Plan also states that the District will contract with Cincinnati Health Department and Hamilton County Public Health.

## Next Steps

While it is difficult to predict revenues over the next four years, Staff is preparing for the reality that programs may have to be modified or eliminated due to revenue reductions. To that end, Staff is already changing some programs and beginning to analyze ways to reduce costs in 2011. Examples include:

1. Household Hazardous Waste – As approved by the Policy Committee, latex paint will not be accepted in the 2010 program. Costs savings are not known at this time as the program is currently out to bid; however, it is anticipated that the District will save approximately \$50,000 - \$70,000. In addition, Staff is considering reducing the hours/days the program is open in 2010 to determine any additional cost savings. Staff will also be seeking sponsors for this program through the private sector. While this will be difficult given the economy, it is still an avenue Staff will pursue.
2. 2010 budget reductions as outlined in the 2010 proposed budget (see Attachment F). Total reductions are approximately \$190,000 (\$100,000 of the reduction is due to the fact that the District does not have to budget for a Plan Update consultant). Reductions range from overhead costs, to advertising, to tire and computer collection programs.
3. Staff is researching permanent outlets that accept computers from residents. Depending on the outcome of this research, Staff may recommend the eventual elimination of the computer collection program. This potential program modification would be in-line with the current Solid Waste Management Plan which states, "...while District-sponsored special collection events may serve a role in management of electronics, the District's primary focus should be on promoting the availability of permanent outlets..."

Staff will continue to keep the Policy Committee informed of revenues. Staff foresees this discussion as a regular agenda item for the upcoming Policy Committee meetings.