

Karl Hagerman

From: Karl Hagerman
Sent: Friday, February 20, 2015 11:30 AM
To: Stephen Giesbrecht; Assembly
Cc: Department Heads; Andy Edfelt; Derrick O'Soup; Karen Malcom; 'Angela Davis'
Subject: Sanitation Department budget projections and impacts of recycling changes

Steve and Assembly,

Below are a series of bar graphs that are the result of various budget projections that I've put together to clarify the financial impacts related to how we collect our commingled recycling. Multiple scenarios are presented.

I wanted everyone to get an advanced look at this prior to the public hearing on the supplemental budget scheduled for March 2nd. Essentially, it shows that even with large capital purchases of carts and a third collection truck, the annual cash position of the department, under the current codified rate schedules, will start to climb to levels mandated by the Assembly right away (top graph in this email).

For scenarios that rely on maintaining the blue bag system and contractor, the department's cash position will decrease annually until a change to carts is made and we will not be able to achieve the enterprise fund reserve policy level in the same amount of time unless additional rate increases are implemented.

Under all of these scenarios, the diversion rates, rate structure and revenues of the department are calculated to be the same – except for the last graph that incorporates rate increases (10%, 5% and 2%) to the bag system to achieve comparable reserve levels by FY20 as the current budget proposal (which is represented by the top graph) The basic difference between each of the scenarios is the level of annual departmental expenses related to recycling collection, supplies and equipment replacement and O&M costs. In a nutshell, we spend more for less return if we stick with the bag system.

The bag system has been a great way to get our commingled program off of the ground and Ruger's Trucking has been an excellent contractor to work with. However, it is time to move to the next step in our program evolution in order to cut costs and keep sanitation rates stable.

Budget Projections under various recycling scenarios. Figures shown in graph are at the end of each fiscal year.

Sanitation Reserves with FY16 Cart transition



Figure 1 Using existing rate schedules and current FY15 supplemental and FY16 budget proposals.

Sanitation Reserves with FY17 Cart transition

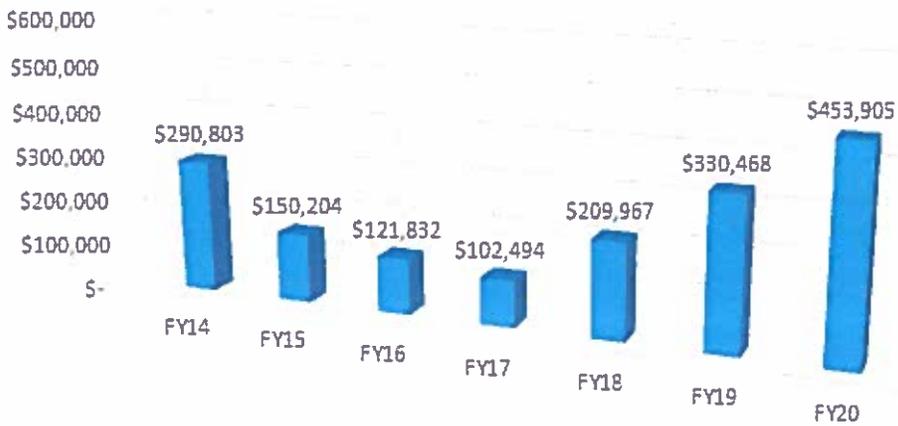


Figure 2 Using existing rate schedules.

Sanitation Reserves with FY18 Cart Transition



Figure 3 Using existing rate schedules.

Sanitation Reserves with blue bags indefinitely



Figure 4 Using existing rate schedules.

Sanitation Reserves with blue bags indefinitely & rate increases

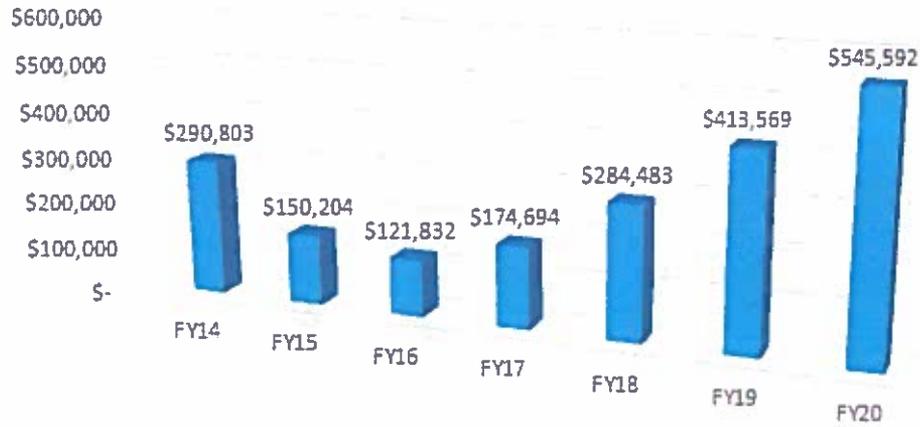


Figure 5 Rate increases: FY17 10%, FY18 5%, FY19 2%

Please let me know if there are any questions.

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