

2016-2017 BUDGET QUESTION
Response to Request for Information

DEPARTMENT: Austin Resource Recovery

REQUEST NO.: 26

REQUESTED BY: Tovo

DATE REQUESTED: 5/20/16

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REQUEST: What would be the implementation costs for rolling out the organics program in three years as opposed to five years?

RESPONSE:

The five year curbside organics expansion implementation plan was presented to City Council on May 18. Below are the projected requirements for a 3-year rollout and a cash flow projection. ARR department staff recommend a 5-year rollout to allow for multi-year spacing of rate increases, sufficient time to train staff, educate customers, and ensure a smooth transition.

The table below presents a projection of incremental FTEs and related expenses, total capital expenses and incremental rate impacts. The three-year rollout scenario below displays 51 total FTEs versus 55 total FTEs for the five-year rollout scenario. The main reason for the difference is that customer growth has an impact on the expansion years FY 2020 and FY 2021 in the 5-year scenario whereas the program is fully implemented in those years for the three-year rollout. The FTEs would still be needed for increased customers due to growth and annexations, but would be considered as base needs and therefore not included in the standalone expansion scenario presented below.

The below table displays four years of expenses since each year's personnel expenses are calculated at only nine months. This is because the expansion of the customer base will not occur until the Spring. Fiscal year 2020 captures the additional three months of personnel expenses for the FTEs added in FY 2019.

ARR Curbside Organics Collection Expansion 3-Year Rollout Estimated Program Requirements					
Organics Program Implementation	FY17 Projected	FY18 Projected	FY19 Projected	FY20 Projected	Total
Operating Budget Personnel and Operations	\$1.4M	+\$2.5M	+\$2.0M	+\$0.5M	\$6.3M
Staffing	15 FTEs	+22 FTEs	+14 FTEs	0 FTEs	51FTEs
Capital Expenses – vehicles and organics carts (debt financed)	\$5.0M	+\$6.0M	+\$5.8M	\$0M	\$16.8M
Rate Impact (64 gallon trash cart)	\$1.25	+\$2.25	+\$1.85	+\$0.05	\$5.40

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The next table displays the cash flow projections that represent the expenses as we expect them to post to the department's budget. The projected revenue totals are based on the increased revenue amounts as the rate is increased each year. For example, ARR projects \$2.4 million in revenue from the \$1.25 rate in FY17, \$7.3 million for the \$3.50 (\$1.25 + \$2.25 increase in FY 2018) rate in FY 2018, and so on.

ARR 3-year Curbside Organics Expansion Cash Flow Projections				
	FY17 Projected	FY18 Projected	FY19 Projected	FY20 Projected
Carryover		\$0.0M	\$0.0M	\$0.0M
Revenue from rate increase	\$2.4M	\$7.3M	\$11.9M	\$12.8M
Total Available Funds	\$2.4M	\$7.4M	\$11.9M	\$12.8M
Personnel Expense	\$1.4M	\$3.9M	\$5.9M	\$6.3M
Debt Payment	\$0.0M	\$0.8M	\$2.1M	\$2.6M
Indirect Expense	\$1.0M	\$2.7M	\$4.0M	\$4.0M
Total Expense	\$2.4M	\$7.4M	\$11.9M	\$12.9M
Carryover	\$0.0M	\$0.0M	\$0.0M	(\$0.1)M

These expenses represent the projection for hiring the necessary operational staff for the rollout, which includes increased personnel expenses based on the addition of new positions. The projected revenue may slightly exceed the expense in a given year, but any excess will be carried forward to the ending balance to be utilized the next fiscal year for projected expansion expenses. Additionally, the debt payments for equipment purchased in FY 2017 will begin in FY 2018.