

Transfer Station Enterprise Fund (5000)

Interview with DPW Director Tom Daley on February 10, 2023
Finance Committee: Tim Counihan, Ed Mahoney and Lynn Bruneau

Background: The Transfer Station provides Waste Disposal Services to the community by packaging and transferring Municipal Solid Waste (“MSW”) to the NBWS Facility, recyclable materials to various recycling brokers, and disposal of hazardous wastes to DEP-approved disposal facilities. The Town facility is open 6 days/week in the summer and 5 days/week for the rest of the year, generally from 7:30am until 3pm. Closed on holidays. A minimum of 3 employees are on site during normal operating hours to provide adequate staffing to help reduce disposal costs and ensure compliance w/ MA DEP Waste Bans by monitoring incoming material to ensure proper separation. Estimated tonnages for major materials handled at the station are as follows.

Municipal Solid Waste	2k tons	Scrap metal	110 tons
Demolition mtrl	500 tons	Waste oil	260 gals
Glass	290 tons	Waste gasoline	500 gals
Plastic	69 tons	Anti-freeze	25 gals
Corrugated cardboard	175 tons	Paint	cy boxes; 2 55-gal drums
Paper	250 tons		

Budget Overview: The attached spreadsheet includes a summary of the Transfer Station Enterprise Fund Budget information from FY22 and FY23 and the proposed data for FY24. The data also includes the FY22 “results” from the 8/31/22 presentation made by Finance Director Cathy Doane to the Select Board and the 1/31/23 year-to-date results. There is a second column for FY22 “Actual” results - from the material provided w/ the FY24 Budget material showing differences in most of the Expense category lines as well as the total. Explanation for the variances TBD.

Warrant Article 12 from last year’s Annual Town Meeting (May 2022) included the FY23 Budget for the operation of the Transfer Station enterprise, including the adoption of a proposed fee structure, subject to Board of Health approval. With no perceived change in the overall operation of the enterprise, the Warrant Article for this year’s Annual Town Meeting (May 2023) will likely be similar to last year’s Article, with updates to the revenue and expense and “budgeted surplus”

numbers as appropriate. The FY24 budget again requires a subsidy from the General Fund (the “Budgeted Tax Levy Subsidy”) to create a “balanced” budget for the Transfer Station Enterprise Fund. The FY23 subsidy was \$467,803 (37% of total Transfer Station Expenses) and the anticipated subsidy for FY24 will be \$461,117 (again, 37% of total Expenses per the Enterprise Fund Policy approved by the Select Board on 2/15/23).

Budget Fundamentals:

Salaries: This budget component is up 4.9% to \$251.4k but driven primarily by union contracts. There is an \$83k allocation of DPW salaries to the Transfer Station EF budget with dollars allocated from the Tree Warden, Highway and Facilities budgets (\$8.7k, \$56.6k and \$18k respectively). Likely these resources help to cover vacation/sick-time shifts and/or off-site trucking.

Direct Expenses for FY24 are relatively flat from FY23 to FY24. For FY24, both Workers Comp Insurance and MIIA Pool Insurance are included as Budget lines (\$6,836 and \$7,110 respectively). Recasting the FY23 budget for comparison, those amounts were \$6,214 and \$6,464 and the Direct Expense total with them included was \$526,681. The FY24 Expense budget, with the 2 insurance amounts, is \$517,457, down slightly from FY23.

“Replacement Equipment” (included in the Motor Vehicles & Durable Equipment Stabilization Fund) is up from \$90k to \$98k. Hazardous Waste is up from \$28k to \$31k and Budgeted Surplus is down from \$111,222 to \$43.9k (updated 3/29/23).

Total Direct Expenses for FY24: \$941,807. (updated 3/29/23)

Indirect Expenses - including the allocation from “Town Hall” (\$69.6k) and from DPW (\$83.3k), plus benefits for Transfer Station salaries and the allocated DPW resources (\$124.5k), total \$288,412k. (allocations updated 3/29/23; no change in total but line-item detail changes not readily available)

Total Expenses: Direct plus Indirect - \$941,807 + \$288,412 = \$1,230,219

Revenue and Funding:

Half a dozen fee changes now proposed for FY24 (updated 3/29/23); however, no impact anticipated on Total Revenue. Proposed changes: Commercial Refuse

Disposal - up from \$125/ton to \$240/ton. Metals/ton up from \$40/ton to \$60/ton. Furnaces up from \$10 to \$20. Sofas, Upholstered Chairs and Mattresses up from \$15/each to \$25, \$20 and \$30/each respectively.

	<u>Rates</u>	<u>Est Revenue</u>
T1 Res/TC1 Commercial	\$185	\$603,655
TS Seasonal	185	370
T2 Res/TC2 Commercial	35	55,720
TR/TCR/Rec Replace	10	1,610
TR1 Rec	25	5,000
TR2 Rec	5	175
Total Sticker Revenue		\$666,530
Other Revenue		102,572
Total Estimated Revenue		\$769,102

Other Funding Sources

The Town may be eligible for grant funding from the Recycling Dividends Program (RDP) which could provide an \$8k benefit. Another potential grant opportunity w/be a Pay-As-You-Throw (“PAYT”) incentive grant of approximately \$33,750 if the Town were to pursue the implementation of a “PAYT” program. DPW Director Tom Daley has suggested this to the Select Board and the Board of Health on several occasions but to date has met with limited interest, particularly from the Board of Health. Mr. Daley suggested renaming the effort “Save as You Throw” as a way to generate more interest.

Balancing the Budget: As noted above, the FY24 budget for the Transfer Station Enterprise Fund again requires a subsidy from the General Fund (the “Budgeted Tax Levy Subsidy”) to create a “balanced” budget. The FY23 subsidy was \$467,803 (37.1% of total Expenses)) and the anticipated subsidy for FY24 will be \$461,117 (again, 37.1% of total Expenses per the Enterprise Fund Policy approved by the Select Board on 2/15/23). Note too that these calculations do not include debt service. Again, per the FY24 Enterprise Fund Policy approved by the Select Board, debt service for previously approved capital projects will continue to be funded by the taxpayers from the General Fund. The FY24 debt service for the Transfer Station Enterprise Fund is estimated to be \$263,775.

Strategic Considerations: As noted in the Fin Comm November 17, 2022 memo to the Select Board re “Enterprise Fund Evolution, Policies and Procedures”, and confirmed in discussions with the external auditor, Mike Nelligan from Powers &

Sullivan, at the Select Board meeting on December 7, 2022, each of the Enterprise Funds is and “enterprise” and thus essentially a “business”. As such, as noted in the Fin Comm memo, “each should have an operation plan which typically goes out 5 years, and for start-up operations such as our Enterprise Funds, aims to a steady state of profitability (break-even or subsidy).” In a previous meeting with DPW Director Tom Daley, Fin Comm recommended that each of the EFs develop an “asset management plan” similar to that developed and maintained by the Water Department - long-term capital plans, reviewed annually, with a 5-to-15 year horizon. Asset management plans would certainly be appropriate for the Transfer Station and the Beaches. Likely one is already underway for the new Sewer Operations facilities.

In a follow-up email exchange (3/8/23), DPW Director Tom Daley confirmed that the Town has “hard contracts” for 2 primary items - trash and “C&D” (Construction & Demolition”) - both with the same vendor. The initial 10-year contract ends on 1/1/25 but is automatically renewed for 2 5-year additional terms unless either party chooses not to renew. Mr. Daley noted that the Town would like to continue w/ the vendor and the contracts - “quite advantageous to us”. He does not see any vulnerability at present. Further, based on where we are currently disposing Town materials, he doesn’t foresee any short-term (5-year) market shrinkage (loss of options).

Update (3/29/23): At its 3/23/23 meeting, the Finance Committee approved a Reserve Fund transfer request submitted by DPW Director on behalf of the Transfer Station Enterprise Fund to support the funding of a new trash trailer. As explained by Mr. Daley, the trailers are replaced on a cycle basis. Previous trailer replacements had cost \$66k in 2021 and \$80k in 2022. The single bid for the current replacement was for \$107k when the budget had been for \$90k. The vendor had agreed to hold the price for just a few weeks. Mr. Daley noted that there was just \$90k readily available in the Transfer Station EF accounts but he would need Town Approval to transfer further funds from the Transfer Station Fund Balance for operating expenses - thus the need for interim funding of \$17k from the Fin Comm Reserve Fund. The request was approved. Although it was understood at the time that these funds w/be reimbursed to the Fin Comm Reserve Fund, it is now apparent that the reimbursement will go instead to the Town’s General Reserve Fund.