Solid Waste Finance

Rate & Fiscal Challenges Facing US Municipal Operations

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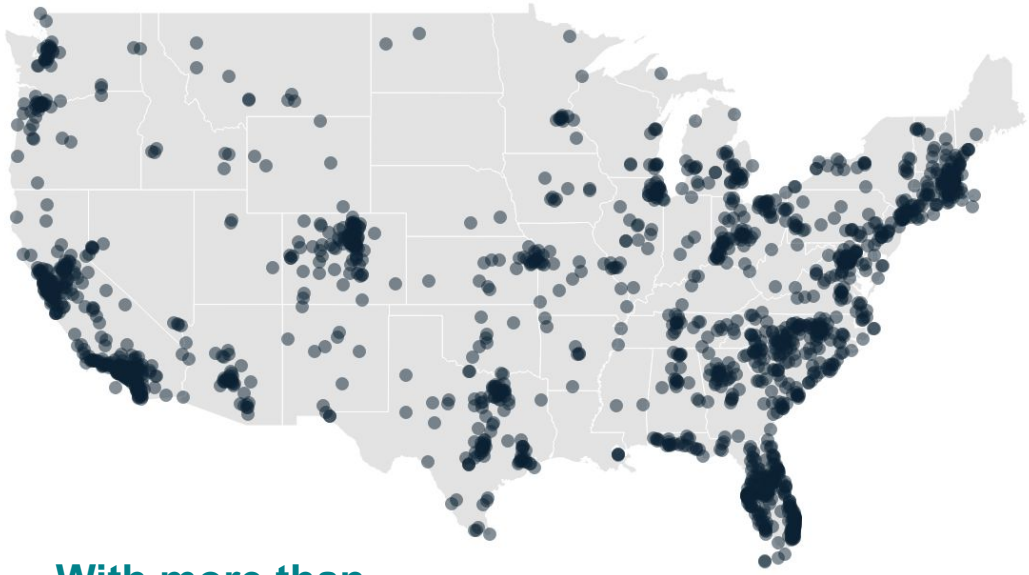
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Who is Raftelis?

Helping local governments and utilities thrive

- Finance
- Digital, Technology, and Data
- Organizational Assessment
- Strategic Planning and Facilitation
- Artificial Intelligence
- Stormwater and solid waste
- Strategic Communication
- Executive Services
- Asset Management

National Experience



With more than…

190+ consultants across the U.S.

Raftelis has provided assistance to over

1,700+ public agencies and utilities

Cost Drivers Outpace Traditional Revenue Models

Solid waste utilities face simultaneous cost escalations across all operational segments, straining general funds and enterprise reserves.

- **Capital replacement spikes:** Automated side-loader trucks now exceed $420k-$480k each, with multi-year delivery lead times.
- **Disposal tipping fees:** Regional landfill closures and tightening air regulations drive tipping fee escalation above general CPI.
- **Labor pressures:** Severe CDL driver and heavy equipment mechanic shortages require higher baseline wages and retention bonuses.

Cost Escalation Drivers

Key budget line-item pressures

- **Collection:** Fleet capital, fuel volatility, route density
- **Disposal:** Tipping fees, transfer hauling, post-closure
- **Processing:** Contamination, MRF contracts, commodity swings

Total Revenue Requirements: Building a Sustainable Rate Base

Revenue Requirement Element	Financial & Operational Impact
Operations & Maintenance (O&M)	Collection crew labor, fleet fuel, maintenance, administration, contractor agreements, tipping and processing fees paid.
Debt Service & Coverage	Coverage of principal and interest payments for bonds or loans financing major capital projects, protecting credit ratings.
PAYGO Capital & Fleet	Capital requirements, collection truck amortization and fleet turnover; physical infrastructure upgrades like transfer stations, recycling tech, and organics processing facilities.
Working Capital & Financial Reserves	Operating reserves for cash-flow gaps; rate stabilization funds to smooth out annual rate adjustments and avoid dramatic rate spikes for customers.
Environmental Liabilities & Regulatory Compliance	Funds compliance mandates; allocates funds for long-term landfill care, groundwater monitoring, methane gas systems, and site closure/post-closure liabilities.

Funding Models: Structural Pros and Cons

Property Tax / General Fund

- **Strengths:** Established billing mechanism; perceived by residents as 'free' municipal service.
- **Weaknesses:** Competes directly with police, fire, and parks for general millage; lacks consumption pricing signal.
- **Vulnerability:** Susceptible to statutory property tax caps and economic downturns.

VS

Enterprise Fund / User Fees

- **Strengths:** Self-supporting cost-of-service discipline; transparent cost allocation; dedicated reserves for fleet and capital.
- **Weaknesses:** Requires standalone billing administration or utility coordination; high political sensitivity to rate adjustments.
- **Best Practice:** Aligns true operational costs directly with service beneficiaries.

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Thank you!

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