

## Financial Analysis

### Purpose

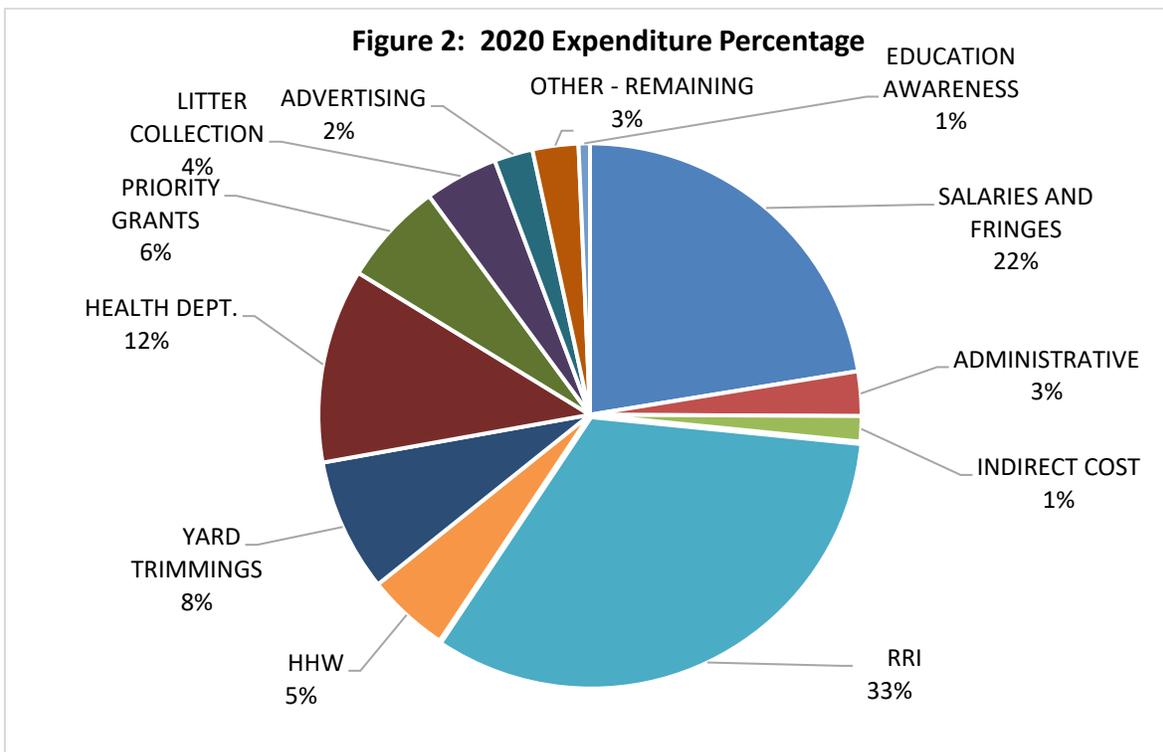
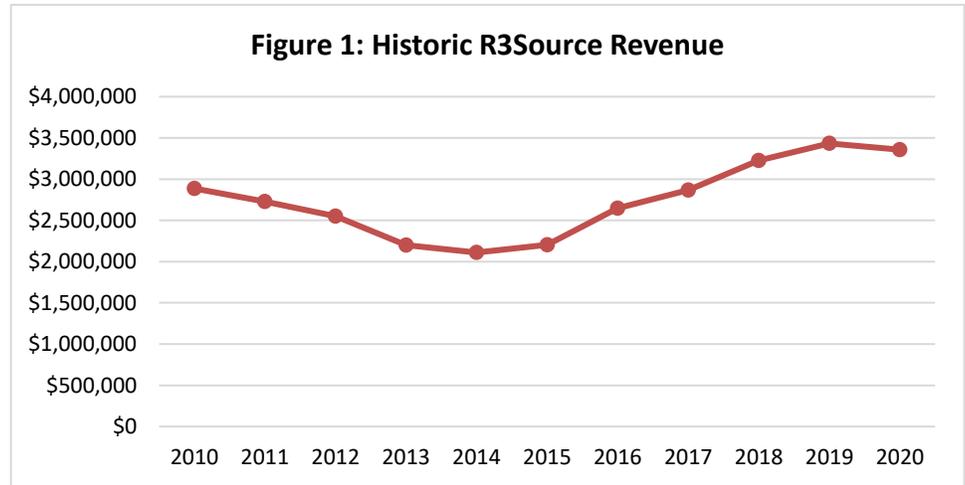
The purpose of this analysis is to examine R3Source's current financial position and assess the financial requirements and revenue sources throughout the next planning period.

### Background

R3Source is currently funded through a tiered disposal fee. For every ton of waste disposed at a municipal solid waste landfill located in Hamilton County, R3Source receives \$1/ton for in-district waste, \$2/ton for out-of-district waste, and \$1/ton for out-of-State waste. The amount that a solid waste management district can charge in fees is set in state law. R3Source has, since its inception, imposed the lowest fees allowable under State law to fund its programs.

Figure 1 provides an historic look at R3Source revenues. Revenues dipped to a low in 2014 of approximately \$2.1 million and have increased to approximately \$3.3 million in 2020.

The majority of R3Source expenditures are directed to programs serving Hamilton County communities, residents, businesses, and schools as outlined in Figure 2.



## Revenue Overview

R3Source revenue began to increase after 2014 because of shifting disposal of out-of-district waste. Table 1 outlines revenue generated annually between 2016 and 2020.

Year	Waste Disposed at In-District Landfills (Tons)			Revenue (\$)			Total Disposal Fee Revenue (\$)
	In-District	Out-of-District	Out-of-State	In-District	Out-of-District	Out-of-State	
2016	811,692	853,872	96,401	\$811,692	\$1,707,743	\$96,401	\$2,615,836
2017	902,947	934,767	94,616	\$902,947	\$1,869,533	\$94,616	\$2,867,097
2018	968,348	1,077,419	94,842	\$968,348	\$2,154,838	\$94,842	\$3,218,028
2019	1,003,121	1,153,898	104,217	\$1,003,121	\$2,307,795	\$104,217	\$3,415,133
2020	1,004,221	1,121,961	109,554	\$1,004,221	\$2,243,921	\$109,554	\$3,357,697

R3Source’s current Solid Waste Management Plan includes revenue and waste disposal projections. As revenue was based on the last baseline year, 2014, which happened to be the lowest year of revenue, actual revenue was higher than projected.

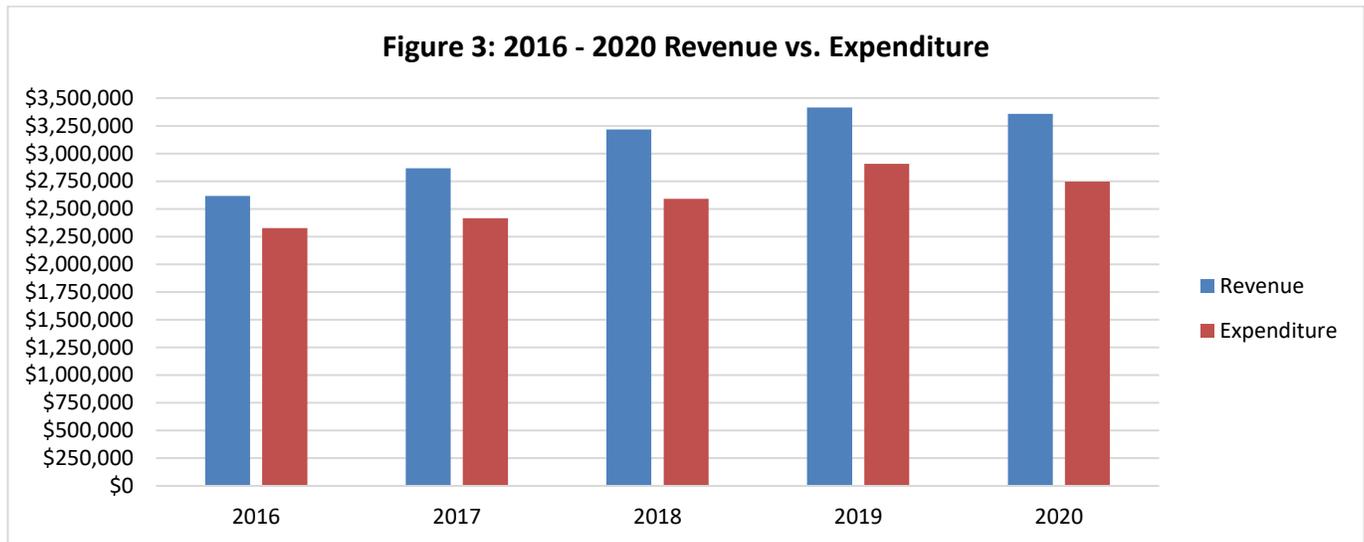
Year	Tons Disposed in R3Source			Total Disposal Fee Revenue
	In-District	Out-of-District	Out-of-State	
2020 – Actual	1,004,221	1,121,961	109,554	\$3,357,697
2020 – Projected	775,000	812,250	100,500	\$2,500,000

Compared to surrounding solid waste management districts and districts of a similar size, Hamilton County is the only one solely dependent on a tiered disposal fee (most of the solid waste management districts listed below do not have a landfill located in their district so they are unable to have a tiered disposal fee). As outlined in Table 3, Hamilton County’s per capita revenue is \$4.01 compared to the average of \$2.89.

District	Population	Type of Revenue	Fee	Revenue	Per Capita Revenue
Adams-Clermont	233,301	Generation (for designated facilities)	\$3.50	\$536,426	\$2.30
Butler	382,129	Generation	\$1.00	\$584,192	\$1.53
Cuyahoga	1,241,000	Generation	\$1.50	\$2,146,363	\$1.73
Franklin	1,323,807	Generation	\$5.00	\$5,870,476	\$4.43
<b>Hamilton</b>	<b>836,759</b>	<b>Disposal</b>	<b>\$1/\$2/\$1</b>	<b>\$3,357,942</b>	<b>\$4.01</b>
Montgomery	531,988	Disposal	\$2/\$4/\$2		
		Generation	\$3.00	\$2,200,000	\$4.14
Summit-Akron	540,810	Generation	\$5.00	\$2,481,050	\$4.59
Warren	232,540	Generation	\$0.50	\$96,642	\$0.42
<b>Average</b>					<b>\$2.89</b>

## Expenditure Overview

Figure 3 outlines historical expenditures compared to revenue. Because projected revenues were based on a low revenue year of 2014, the budgeted programs were based to align with that revenue. As written in the Solid Waste Plan, R3Source spent more funds for the Residential Recycling Incentive (RRI) program and the Household Hazardous Waste (HHW) Drop-Off. Several years R3Source offered special grant funds to make the best use of those extra funds.



R3Source’s current Solid Waste Management Plan includes expenditure projections. R3Source’s 2020 expenditure projections differed significantly from actual expenditures as shown below in Table 4. Additional programs included more spent on the RRI and an HHW Drop-Off program.

Year	Total Expenditure
2020 – Actual	\$2,747,481
2020 – Projected	\$2,521,578

The following programs cause the discrepancy between actual and projected expenditures:

- Residential Recycling Incentive (RRI) grant: budget increased from \$800,000 to \$900,000.
- Household Hazardous Waste (HHW): \$134,000 spent for a one-day drop off event.

### Major Program Expenditures

In 2020, \$1.8 million, or 74% of the total budget, was spent on programs and health department funding. This is similar to previous years’ expenditures. The largest program expenditures are presented in Table 5.

<b>Program</b>	<b>Description</b>	<b>2020 Expenditures</b>	<b>Tons Collected</b>	<b>Cost/Ton (not including staff time)</b>
Residential Recycling Incentive	Funding to communities based on recycling rate and tons recycled.	\$900,023.20	58,636.19	\$15
Health Department	Funding to Hamilton County and Cincinnati Health Departments to enforce solid waste regulations.	\$318,072.99	n/a	n/a
Yard Trimmings Drop Offs	Funding to operate three residential yard trimmings drop-off sites.	\$217,653.74	3,871	\$56
Household Hazardous Waste <sup>1</sup>	Funding to operate a household hazardous waste drop-off.	\$134,995.47	44	\$3,068
Environmental Enforcement	Funding for environmental enforcement program via Sheriff.	\$120,555.46	n/a	n/a

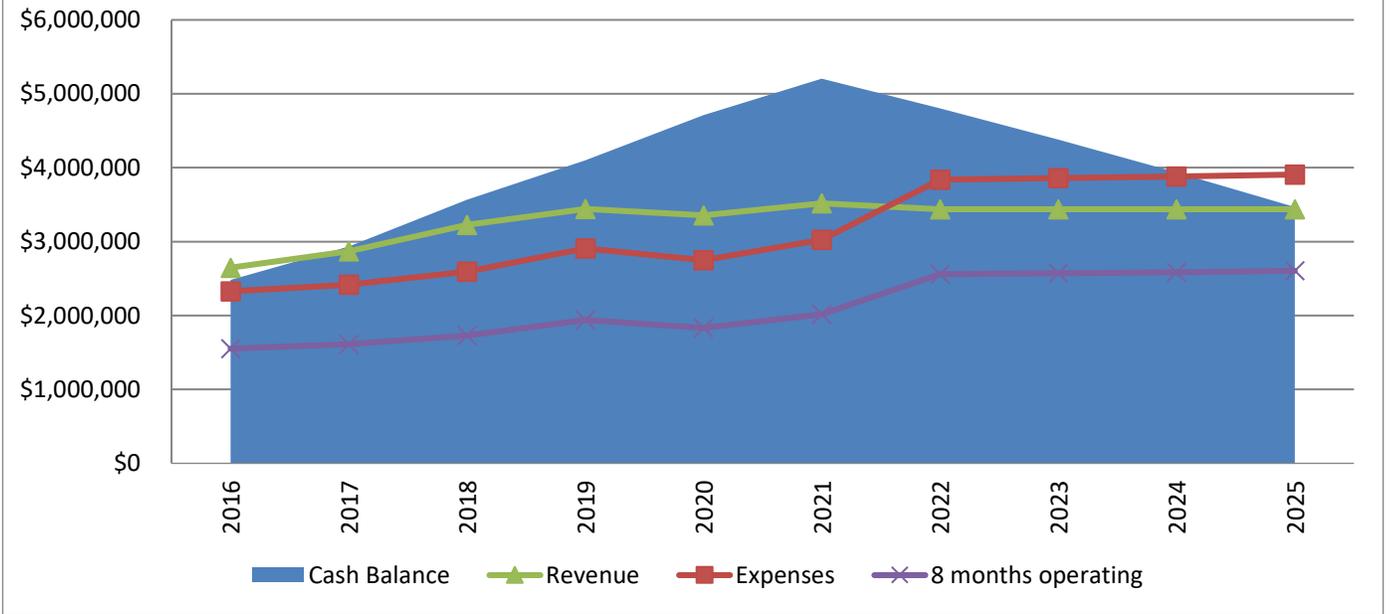
To examine R3Source’s largest programs in more detail, Table 6 provides a comparison to programs offered by surrounding and similarly sized solid waste management districts.

<b>Program</b>	<b>Solid Waste District</b>	<b>2020 Funding</b>	<b>2020 Results (tons)</b>
Household Hazardous Waste	Hamilton	\$134,995	44
	Adams-Clermont	\$3,733	1
	Butler	\$84,889	51
	Cuyahoga	\$302,227	185
	Franklin	\$607,536	330
	Montgomery	\$285,417	382
Yard Trimmings	Hamilton	\$217,654	3,871
	Franklin	\$1,485,000	240,000
	Montgomery	\$51,303	10,510
Health Department	Hamilton	\$318,073	Not Applicable
	Cuyahoga	\$244,743	
	Franklin	\$0	
	Montgomery	\$153,000	
Environmental Enforcement	Hamilton	\$120,555	Not Applicable
	Cuyahoga	\$13,541	
	Franklin	\$238,846	
	Montgomery	\$163,000	

### **Carryover Balance Overview**

The policy on R3Source’s carryover balance is to maintain an amount equaling at least eight months of operating costs. Based on a \$3.3 million budget, the required carryover balance is \$2.2 million. Figure 5 outlines the carryover balance forecast through December 31, 2025. Expenses in Figure 5 show no new program costs or any special programs spending the carryover balance.

**Figure 5: Carryover Balance Based on \$3.3 Million Budget**



**Financial Forecast**

If R3Source were to continue with the current spending levels, it will fall below the eight-month threshold by December 31, 2030 (see Figure 6).

**Figure 6: Funding Projection - 2022 Spending Levels**

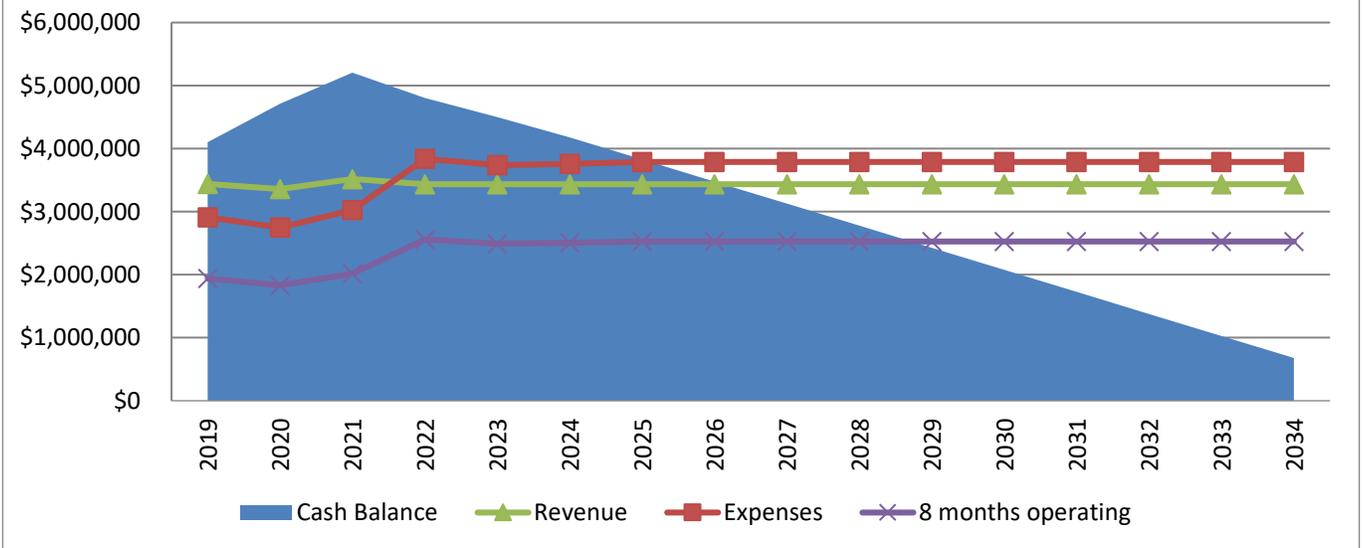


Figure 7 projects the carryover balance should under the following conditions:

- Continue RRI spending at \$900,000 per year

- Spend \$300,000 per year on HHW (based on Montgomery and Cuyahoga costs)
- Spend \$500,000 on a special grant in 2022
- Continue spending about \$150,000 per year on environmental enforcement and add \$5,000 onetime purchase of more cameras
- Maintain current advertising budget of \$255,000 per year and add onetime cost (2024) of \$40,000 into behavior change research
- Increase business programs budget from \$145,000 per year to \$245,000 per year
- \$20,000 per year to help communities add automatic curbside and yard trimmings collection
- \$15,000 one-time (2024) cost to develop language for communities wanting to add space for waste and recycling into zoning
- \$150,000 one-time (2024) cost for a public-private partnership to help with food scrap processing capacity
- \$5,000 per year to help one community per year with multi-family recycling infrastructure
- \$100,000 for waste characterization study in 2023
- \$100,000 for solid waste plan update consultant in 2027

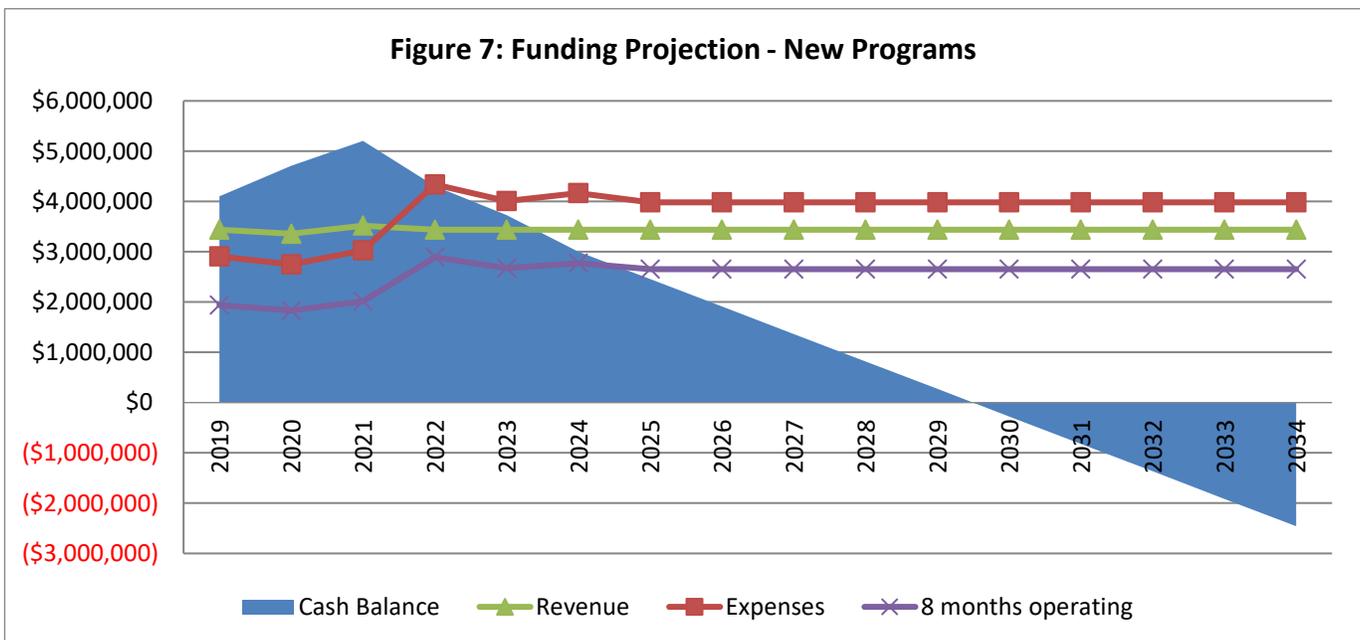
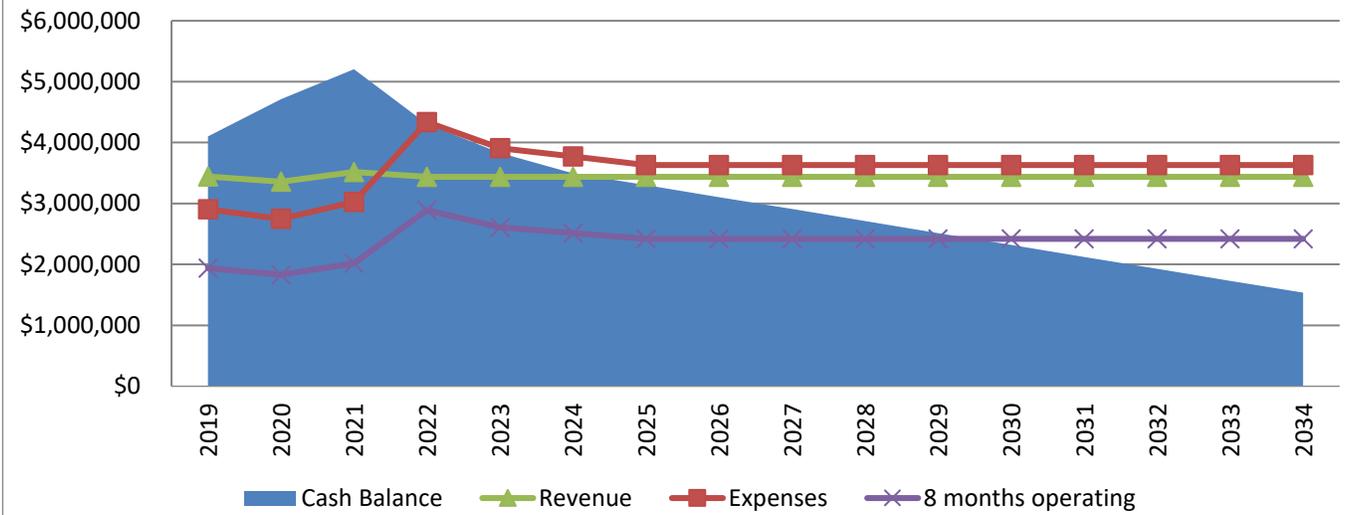


Figure 7 shows that including all new program spending puts R3Source carryover balance below 8 months operating in 2025, only the second year of the new Solid Waste Plan. Obviously, this is not a sustainable spending plan. Some current costs and new program costs need to be cut to bring expenses more closely in line with revenue.

Figure 8 shows one potential solution. Improving organics infrastructure and business facing programs has the most potential for increased diversion. This scenario favors those areas while also favoring multi-family infrastructure improvement as this was expressed many times in stakeholder feedback as an important area of focus. Another stakeholder feedback reoccurring theme was the need for better outreach on what can and cannot be recycled.

**Figure 8: Funding Projection - Program Cuts**



The scenario in Figure 8 makes the following adjustments from the scenario in Figure 7:

- HHW from \$300,000 to \$50,000. The current R3Source one-day HHW event served 1,600 households per year and collected 44 tons of material in 2020. Analyses show this program to be ineffective, expensive, and not accessible to most residents. R3Source could shift the budget to spending \$50,000 per year on outreach to encourage HHW reduction (budget currently \$5,000 per year for this effort). Residents would have to pay for disposal of HHW on their own.
- RRI from \$900,000 to \$800,000. Our current Solid Waste Management Plan sets the baseline spending for the RRI program at \$800,000 but included a contingency budget that if revenue exceeded a certain point, R3Source would budget \$900,000 for the RRI. Since 2018, R3Source has budgeted \$900,000 for the RRI.
- Eliminate \$40,000 budget to conduct market research for better behavior change campaign.
- Eliminate \$5,000 for new environmental enforcement camera and apply for grant funding to purchase.

**Questions for the Policy Committee**

1. Scenarios in Figures 7 and 8 include budgeting \$500,000 in 2022 for a special grant program. Is this something the Policy Committee still wishes to pursue?
2. Should R3Source plan to invest more heavily into HHW or pull back as shown in scenario 8? If the Policy Committee prioritized investment in HHW, what other programs would they prefer to see cutback in?
3. Our current plan sets the baseline RRI budget at \$800,000 but R3Source has added \$100,000 per year as planned in our contingency budget. Should the new plan include a similar contingency budget for when RRI spending goes to \$900,000 or should the baseline for the RRI be set at \$900,000? If the Policy Committee wishes to keep the RRI at \$900,000, what other programs would they prefer to see cutback?
4. What alternative scenario budgets would the Policy Committee like to see modeled?
5. Are there other new programs the Policy Committee would like to add to the budget or current programs they would like to see eliminated?