

MEMORANDUM

TO: Nathan Poore
FROM: Randy Davis
DATE: February 12, 2008
RE: Suggested increase to the bag price in the Pay-per-bag system

Due to the fact that the current revenue from the yellow bags is not enough to cover all the expenses of the program, I have developed an analysis that suggests a price change that would cover the costs of the program. The last price increase was in July, 2004. I calculated this analysis so that there would only have to be one price change for the next three years. The Finance Committee recently asked for two scenarios for future Council consideration.

Scenario 1 – The projected loss in the current year will be covered by a supplemental appropriation and start out the next fiscal year with a \$0 balance with no intention to pay back the current year loss.

Scenario 2 – The projected loss in the current year will be covered by a supplemental appropriation and start out the next fiscal year with a \$0 balance with the intention to pay back to the general fund the current year loss over the next two years.

The analysis takes into account several assumptions, which are the following:

- The price per gallon variance between the 33 and 20 gallon bags will remain the same as the current variance, which gives the resident a 15% discount on the larger bag.
- The number of bags sold and the distribution between the 33 and 20 gallon bags will remain the same as the current year.
- Tipping fees will not increase in FY09, but we can expect an increase in FY10 and FY11 of 3% each year.
- The Ecomaine Capital Assessment will increase 5% each year.
- The loss in the current year was calculated based on an immediate price change, to be effective March 1, 2008.
- Bag costs will increase 3% each year.
- The sales tax is the same percentage of bag costs as the current year.
- Printing costs will increase 3% each year.

The following spreadsheet includes both scenarios and the associated fee structure which will be required if the goal is to break even over a three year period.

Town of Falmouth

Pay-per-bag

3 Year Rate Schedule

Scenario 1 *Pay FY2008 loss from the general fund and start FY2009 with a \$0 balance.*

Year	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>
33-gallon price per set (10 bags)	15.00	20.80	20.80	20.80
20-gallon price per set	10.50	14.55	14.55	14.55
33-gallon sets sold		17,900	17,900	17,900
20-gallon sets sold		10,070	10,070	10,070
Revenue		518,839	518,839	518,839
Less: Expenses				
Tipping Costs		(235,157)	(242,212)	(249,478)
Ecomaine Capital Assessment		(217,753)	(228,641)	(240,073)
Bag Costs		(36,854)	(37,960)	(39,099)
Sales Tax on Bags		(1,804)	(1,858)	(1,914)
Printing Costs		(817)	(841)	(867)
Total Expenses		(492,386)	(511,513)	(531,431)
Net Gain/(Loss)		26,452	7,326	(12,592)
				21,186

Scenario 2 *Pay FY2008 loss from the general fund, but pay back the loss over the next two years.*

Year	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>
33-gallon price per set	21.70	21.70	21.70
20-gallon price per set	15.20	15.20	15.20
33-gallon sets sold	17,900	17,900	17,900
20-gallon sets sold	10,070	10,070	10,070
Revenue	541,494	541,494	541,494
Less: Expenses			
Tipping Costs	(235,157)	(242,212)	(249,478)
Ecomaine Capital Assessment	(217,753)	(228,641)	(240,073)
Loss payback to general fund	(35,000)	(35,000)	-
Bag Costs	(36,854)	(37,960)	(39,099)
Sales Tax on Bags	(1,804)	(1,858)	(1,914)
Printing Costs	(817)	(841)	(867)
Total Expenses	(527,386)	(546,513)	(531,431)
Net Gain/(Loss)	14,108	(5,019)	10,063
			19,152