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## **5.0 Existing Financial Conditions**

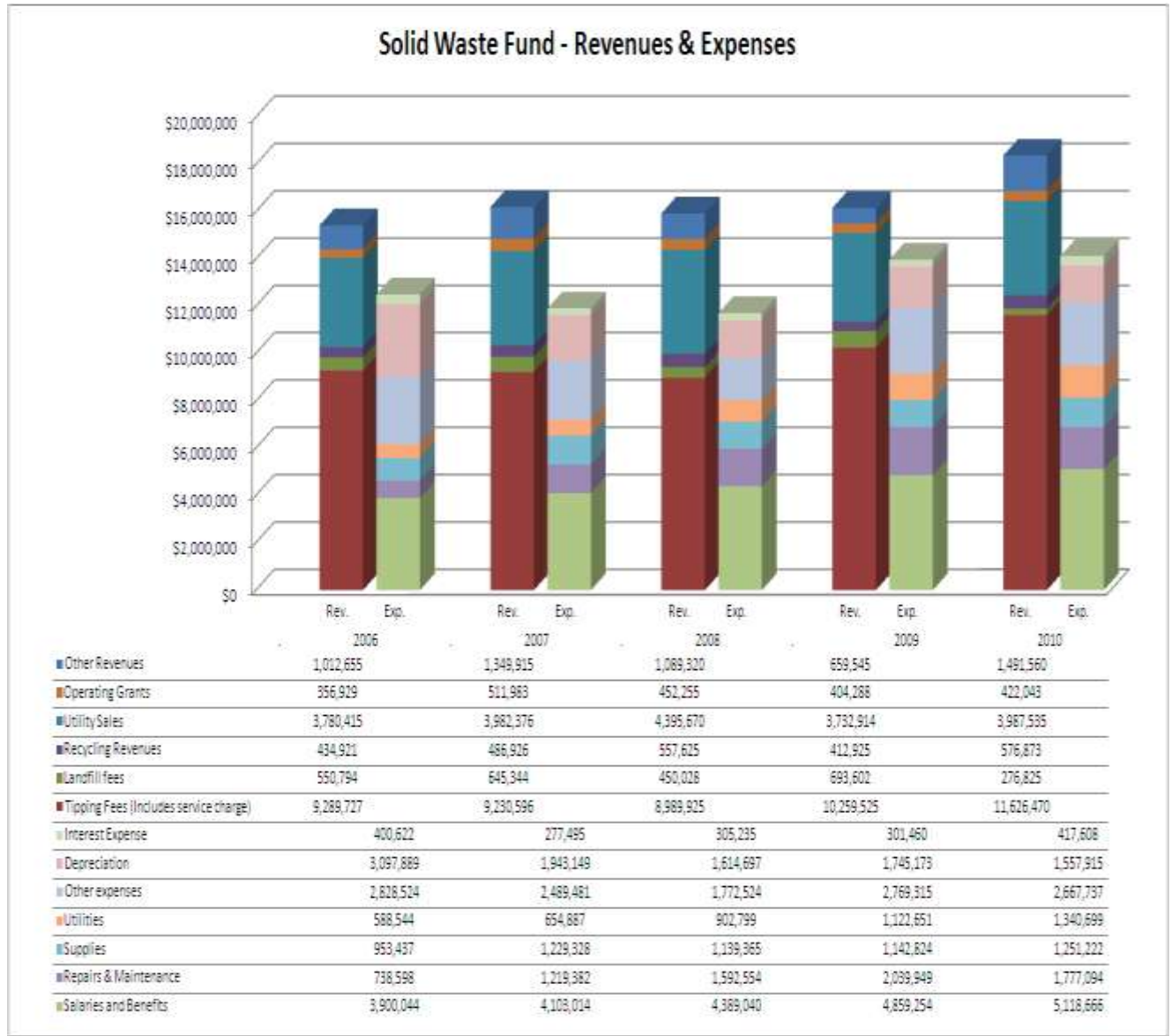
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The Olmsted County Solid Waste Division manages an enterprise fund using revenue from energy sales, disposal fees and the environmental service charge to operate the waste reduction program, yard waste compost site, Recycling Center Plus, Hazardous Waste Facility, Olmsted Waste-to-Energy Facility and Kalmar Landfill. Expenses are tracked by program and by expense category (fund).

### **5.1 REVENUES AND EXPENSES BY FACILITY**

Figure 5-1 represents the solid waste fund's revenues and expenses under the accrual basis of accounting as reported for the annual financial report. Not included are proceeds from the issuance of debt, capital grant contributions, capital purchases including related capitalized interest (these are capitalized on the balance sheet as an asset and depreciated over the estimated useful life), and principal payments on long term debt. The depreciation expense is shown to reflect the estimated annual cost of the assets being used for operations.

**Figure 5-1 – Revenues and Expenses by Facility**



## 5.2 Financial Summary

The following represents a summary of the revenues, expenses, and changes in net assets of the Solid Waste fund from 2006 to 2010.

	2006	2007	2008	2009	2010
<b>Operating Revenues:</b>					
Charges for services					
Tipping fees	\$ 9,289,727	\$ 9,230,596	\$ 9,009,269	\$ 10,617,692	\$ 11,626,470
Utility fees	3,780,415	3,982,376	4,395,670	3,732,914	3,987,535
Landfill fees	550,794	645,344	430,683	335,436	276,825
Recycling services	434,921	486,926	557,625	412,925	576,873
Other	173,835	210,151	209,599	240,768	1,570,537
Total Operating Revenues	<u>\$ 14,229,691</u>	<u>\$ 14,555,394</u>	<u>\$ 14,602,847</u>	<u>\$ 15,339,735</u>	<u>\$ 18,038,240</u>
<b>Operating Expenses:</b>					
Personal services	\$ 3,900,044	\$ 4,103,014	\$ 4,389,040	\$ 4,859,254	\$ 5,118,666
Consultants and professional services	1,094,482	540,559	514,422	448,822	493,185
Repairs and maintenance	738,598	1,219,382	1,592,554	2,039,949	1,777,094
Other services and charges	1,544,588	1,745,628	1,785,314	2,217,249	2,105,343
Supplies	953,437	1,229,328	1,139,365	1,142,824	1,251,222
Utilities	588,544	654,887	902,799	1,122,651	1,340,699
Depreciation	3,097,889	1,943,149	1,614,697	1,745,173	1,557,915
Landfill closure and postclosure expense	180,491	203,294	(568,691)	103,245	69,209
Total Operating Expenses	<u>\$ 12,098,073</u>	<u>\$ 11,639,241</u>	<u>\$ 11,369,500</u>	<u>\$ 13,679,167</u>	<u>\$ 13,713,334</u>
Operating Income	<u>\$ 2,131,618</u>	<u>\$ 2,916,152</u>	<u>\$ 3,233,347</u>	<u>\$ 1,660,568</u>	<u>\$ 4,324,906</u>
<b>Nonoperating Revenues (Expenses):</b>					
Intergovernmental grants	\$ 356,929	\$ 511,983	\$ 452,255	\$ 404,288	\$ 422,043
Gifts and contributions	1,790	1,814	1,471	1,475	2,622
Taxes	(5)	3	(7)	-	-
Investment income	835,465	1,064,096	878,257	416,814	340,925
Gain/(Loss) on disposal of capital items	1,568	73,851	-	488	(422,524)
Interest Expense	(400,622)	(277,495)	(305,235)	(301,460)	(417,608)
Net Nonoperating Revenues	<u>\$ 795,127</u>	<u>\$ 1,374,252</u>	<u>\$ 1,026,740</u>	<u>\$ 521,605</u>	<u>\$ (74,542)</u>
Income (Loss) Before Capital Contributions and Transfers	<u>\$ 2,926,745</u>	<u>\$ 4,290,404</u>	<u>\$ 4,260,087</u>	<u>\$ 2,182,173</u>	<u>\$ 4,250,364</u>
Capital Contributions	\$ -	\$ -	\$ 3,200,000	\$ 1,272,248	\$ 2,657,503
Operating transfers in	237	-	-	-	-
Operating transfers out	(8,963)	-	(41,479)	-	-
Changes in net assets	<u>\$ 2,918,019</u>	<u>\$ 4,290,404</u>	<u>\$ 7,418,608</u>	<u>\$ 3,454,422</u>	<u>\$ 6,907,867</u>
Total Net Assets - beginning	<u>27,994,738</u>	<u>30,912,757</u>	<u>35,203,162</u>	<u>42,621,769</u>	<u>46,076,191</u>
Total Net Assets - ending	<u>\$ 30,912,757</u>	<u>\$ 35,203,162</u>	<u>\$ 42,621,769</u>	<u>\$ 46,076,191</u>	<u>\$ 52,984,058</u>

This information above reflects changes made in grouping certain revenue and expense accounts to provide a better comparison between years. Therefore, totals in some categories may not match to the totals in the annual audited financial statements. In addition, the numbers above do not reflect the capital addition of Unit 3 as the construction was still ongoing thru 2010. Interest income and interest expense relating to the debt proceeds and debt service payments are not reflected in the above totals as these items are removed from revenues and expenses and are capitalized and shown on the Solid Waste fund's balance sheet along with the other construction related costs

for Unit 3. In 2008, the Solid Waste fund received a \$3.2 million state grant to assist in the construction of Unit 3. In 2009 and 2010, the fund received a state grant to pay for 50% of the costs associated with a steam line extension project that was completed in late 2010.

### Capital asset additions

The following represents capital additions in the Solid Waste fund from 2006 to 2010. Capital additions are excluded from expenses as these are capitalized on the balance sheet of the Solid Waste fund and depreciated over the estimated useful lives of the assets. The portion depreciated each year is shown as depreciation expense.

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Hazardous Waste	\$ 65,676	\$ 53,350	\$ -	\$ -	\$ -
Recycling Services	-	455,899	5,324	30,515	-
Composting	-	-	149,500	-	-
Resource Recovery	166,062	121,642	-	1,373,823	8,488,610
Kalmar Landfill	70,268	1,243,485	1,338,123	129,678	-
Net additions to Construction in Process	2,182,890	11,224,121	46,310,472	36,765,663	4,362,638
<b>Total</b>	<b>\$ 2,484,896</b>	<b>\$ 13,098,497</b>	<b>\$ 47,803,419</b>	<b>\$ 38,299,679</b>	<b>\$12,851,248</b>

### Changes in long-term debt

The following represents changes in long-term debt in the Solid Waste fund from 2006 to 2010. Principal payments from long-term debt are excluded from expenses as payments reduce the debt liability on the balance sheet.

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Beginning Balance</b>	<b>\$ 13,185,000</b>	<b>\$ 9,890,000</b>	<b>\$ 78,620,000</b>	<b>\$ 78,100,000</b>	<b>\$97,440,000</b>
New debt issued	-	71,400,000	-	19,870,000	-
Payment to refund old debt	-	-	-	-	-
Principal payments	(3,295,000)	(2,670,000)	(520,000)	(530,000)	(3,355,000)
<b>Ending Balance</b>	<b>\$ 9,890,000</b>	<b>\$ 78,620,000</b>	<b>\$ 78,100,000</b>	<b>\$ 97,440,000</b>	<b>\$94,085,000</b>

### Summary of long-term debt

The County issued general obligation resource recovery revenue bonds to provide financing for construction and betterment of the solid waste facilities. These bonds are payable from the pledged net revenues of the Waste Management Enterprise Fund and backed by the full faith, credit and taxing powers of the County.

The general obligation revenue bonds outstanding are as follows:

	<u>Date Issued</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Balance 12/31/2010</u>
G.O. Resource Recovery Revenue Bonds, 2002F	12/1/2002	3.75%	\$ 7,500,000	2/1/2011	\$ 5,395,000
G.O. Resource Rec. Rev. Refunding Bonds, 2005A	6/1/2005	3.20%	2,000,000	2/1/2011	230,000
G.O. Resource Recovery Revenue Bonds, 2007A	4/1/2007	4.00 - 4.375%	71,400,000	2/1/2027	68,590,000
G.O. Taxable Resource Recovery Rev. Bonds, 2009B	8/1/2009	1.75 - 4.95%	14,690,000	2/1/2029	14,690,000
G.O. Resource Rec. Rev. Refunding Bonds, 2009D	12/1/2009	2.00-3.375%	5,180,000	2/1/2023	5,180,000
Total					<u>\$ 94,085,000</u>

On February 1, 2011, the remaining principal balance on the 2002F bonds of \$5,065,000 was refunded from an escrow account created from the proceeds of the G.O. Resource Recovery Revenue Refunding Bonds Series 2009D.

Annual debt service requirements to maturity are as follows:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 9,070,000	\$ 3,738,366	\$ 12,808,366
2012	3,945,000	3,483,934	7,428,934
2013	4,080,000	3,338,703	7,418,703
2014	4,220,000	3,180,598	7,400,598
2015	4,370,000	3,010,204	7,380,204
2016	4,530,000	2,831,569	7,361,569
2017	4,695,000	2,645,283	7,340,283
2018	4,880,000	2,451,859	7,331,859
2019	5,075,000	2,250,699	7,325,699
2020	5,275,000	2,041,454	7,316,454
2021	5,500,000	1,819,236	7,319,236
2022	5,725,000	1,581,631	7,306,631
2023	5,970,000	1,330,740	7,300,740
2024	5,725,000	1,075,925	6,800,925
2025	5,975,000	816,554	6,791,554
2026	6,250,000	543,598	6,793,598
2027	6,535,000	258,075	6,793,075
2028	1,100,000	84,893	1,184,893
2029	1,165,000	28,834	1,193,834
Total	<u>\$ 94,085,000</u>	<u>\$ 36,512,151</u>	<u>\$ 130,597,151</u>

Detailed information on future solid waste program funding needs and proposed sources, estimated program budget information including capital and operating costs, are provided in Attachment B.