

## MEMORANDUM

**TO:** Jay Melder, City Manager  
Heath Lloyd, Assistant City Manager  
Gene Prevatt, Government Operations Chief  
Quhannah Andrews, Senior Sanitation Director  
Melissa Carter, Budget Director  
File #26.1

**FROM:** David Maxwell, Finance Director

**DATE:** August 18, 2023

**SUBJECT:** Annual Update of Projections for Sanitation Revenues and GF Subsidy

Attached is a spreadsheet which provides updated projections of revenues for the Sanitation Fund for 2023 and 2024. Also attached is the annual update to the multi-year projections for the Sanitation Fund rates showing years 2022 through 2028.

A multi-year approach for rate setting is recommended because of the costly landfill expansion and other costs associated with planned capital improvements, including the planned construction of the operations center at the Dean Forest landfill site. In addition, landfill closure and post-closure costs will be incurred at some point in the future and will be very expensive. The current estimate of these costs in total is \$33.6 million, none of which has been funded.

### **Capital Projects**

The chart that follows provides details of the requested capital plan by year and estimated amount. Please note that the rate increases detailed in this memo are required to support the cost of these capital projects.

	2023	2024	2025	2026	2027	2028
Leachate storage and load out facility	\$1,500,000			\$0	\$0	\$0
Leachate pre-treatment facility		\$3,000,000				
Headquarters design - additional		1,000,000				
Headquarters - construction			\$24,500,000			
Sanitation HQ Facility Access Improvements		250,000				
	\$1,500,000	\$4,250,000	\$24,500,000	\$0	\$0	\$0

### **Debt Service Projections**

Principal payments on the Series 2018 bond issue began in 2020 with annual total debt service of approximately \$1.3 million. The Series 2018 bonds were issued in the amount of \$11,085,000 for the purpose of partially funding the current landfill expansion. Principal payments on these bonds will run through 2029.

An interfund payment commencing in 2020 is for the repayment of \$1.9 million to the Water and Sewer Fund for an interfund transfer executed in 2019 used to fund the acquisition of the Waste Management facility on Highway 80. The annual repayment amount is approximately \$403,000 with a five-year amortization ending in 2024.

In order to fund the construction costs of the Dean Forest Operations Facility, a bond issue of \$24.5 million is expected to be issued in 2025 with repayment beginning in 2026 in the approximate annual amount of \$1.9 million. This bond would have a 25 year amortization period.

**Suggested Rate Changes**

The plan of future rate adjustments was calculated to accomplish these three objectives:

- Keep residential rates as low as possible and competitive with rates charged by private providers outside of the City;
- Provide funding for the proposed capital plan; and
- Keep the overall Sanitation Fund subsidy/service fee required from the General Fund at minimal levels.

Revenue projections for 2024 assume rates for residential and commercial service are increased from 2023 by 3.00%.

Residential refuse rates for 2023 are \$37.70 per month. The recommended rate for 2024 is \$38.83, which is an increase of 3.0% or \$13.56 per year. This rate includes curbside refuse collection, curbside recycling service, bulk item service and collection of yard waste.

It is recommended that the commercial disposal fee be increased from \$5.01/cy to \$5.16/cy (3.0%), and that commercial collection rates are raised from an average of \$4.83/cy to \$4.97/cy (3.0%).

**Future Rate Changes**

The following table shows the rates for the next several years required to achieve the three objectives set forth previously in this memo:

<b>Service</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Residential Service (Monthly basis)	\$36.60	\$37.70	\$38.83	\$39.99	\$41.19	\$43.25
Commercial Disposal Fee (\$/cu. yd.)	\$4.87	\$5.01	\$5.16	\$5.32	\$5.48	\$5.75
Commercial Collection Fees (\$/cu.yd.)						
River Street	\$6.72	\$6.92	\$7.13	\$7.35	\$7.71	\$7.94
Downtown Lanes	\$6.28	\$6.47	\$6.67	\$6.87	\$7.21	\$7.43
2-15 CY	\$4.26	\$4.39	\$4.52	\$4.66	\$4.89	\$5.04
16-47 CY	\$3.76	\$3.88	\$3.99	\$4.11	\$4.32	\$4.45
48-95 CY	\$3.34	\$3.44	\$3.54	\$3.64	\$3.83	\$3.94
96 + CY	\$2.62	\$2.70	\$2.78	\$2.86	\$3.01	\$3.10

**Expense Projections**

For purposes of this analysis, 2024 operating expenses are projected to be 6% higher than 2023 projected amounts. The assumed increase in 2025 is 4% and 4% each year thereafter. After firmer expense projections are available upon budget completion, this analysis may need to be updated.

**General Fund Impact**

The projected total contribution/fees from the General Fund are:

	<b>2022 Actual</b>	<b>2023 Projection</b>	<b>2024 Projection</b>	<b>2025 Projection</b>	<b>2026 Projection</b>	<b>2027 Projection</b>
General Fund Fee for Services	\$9,339,236	\$9,879,430	\$10,293,147	\$10,723,599	\$11,171,455	\$11,637,415

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**Projections for 2022-2024 Sanitation Fund Budget**

BASE CASE SUMMARY		2022 Actual	2023 Projection	2024 Projection	Comment on 2024 Rates
<b>Revenue</b>					
45301	Residential Fees	\$22,521,607	\$19,134,000	\$ 21,595,000	Increase from \$37.70 to \$38.83 per month (3.0%)
45302	Commercial Collection Fees	1,369,045	1,243,000	1,091,000	Increase rates an average of 3.0%
45310	Commercial Disposal Fees (City	1,352,928	1,217,000	1,134,000	Increase from \$5.01 to \$5.16 per cu. yd. (3.0%)
44301	Interfund Fees for City Disposal	389,196	455,621	469,247	
45309	C&D Waste Fees	233,309	393,810	405,635	
45305	Sweeper Citations	470,598	520,000	475,000	
45303	Landfill Charges	36,126	15,190	15,646	
45314	Recycling Rebates	86,044	-	-	
42998/9	Miscellaneous	231,145	1,000	1,000	
44302	Interfund Commercial Fees	391,783	337,000	347,000	
45304	Special Trash Collection Fee	55,100	60,000	60,000	
45308	Refuse Cart Sales	1,900	5,000	5,000	
45315	Senior Citizen Discount	103	-	-	
45316	Host Fee - private landfills	1,990,122	1,700,000	1,900,000	
45899	Miscellaneous AR Reserve	536	-	-	
47312	Sale of Fixed Assets	-	-	-	
48513	Transfer from Cart Replacement F	456,905	-	-	
45142	Late payment penalty	833,880	175,000	650,000	
47111	Interest earned	73,814	1,500	1,500	
48215	Transfer from Hurricane Matthew	318	-	-	
	<b>Total Fees</b>	<b>30,494,458</b>	<b>25,258,121</b>	<b>28,150,028</b>	
<b>General Fund Fees and Subsidies:</b>					
44101	Fee for Services to General Fur	10,105,249	9,339,236	9,879,430	
48101	Subsidy Required to Balance F	-	-	-	
	<b>Total General Fund Fees</b>	<b>10,105,249</b>	<b>9,339,236</b>	<b>9,879,430</b>	
	<b>Total Revenue</b>	<b>\$ 40,599,706</b>	<b>\$ 34,597,357</b>	<b>\$ 38,029,458</b>	
<b>Expenses</b>					
7101	- Sanitation Director	\$ 1,067,679	\$ 1,256,299	\$ 1,331,677	
7102	- Residential Refuse	10,048,204	10,154,503	10,339,773	
7103	- Other Disposal System Costs	6,860,790	5,037,736	4,838,808	
7104	- Street Cleaning	3,246,834	3,561,365	3,775,047	
7105	- Commercial Refuse	2,443,223	2,290,877	2,428,330	
7107	- Recycling & Litter Services	7,647,328	6,341,871	6,722,383	
7110	- Property Maintenance Enforcement	-	-	-	
7106	- Interdepartmental	7,919,049	4,738,000	4,944,020	
	<b>Total Expenses</b>	<b>\$ 39,233,106</b>	<b>\$ 33,380,651</b>	<b>\$ 34,380,038</b>	
	<b>Surplus (deficit)</b>	<b>\$ 1,366,601</b>	<b>\$ 1,216,706</b>	<b>\$ 3,649,420</b>	
<b>Specific Expense Account Recommendations (imbedded in above numbers):</b>					
511-7109-51735	Landfill Depletion Allowance	\$4,006,145	\$1,021,000	\$1,064,000	
511-7103-51610	Bond Principal	1,025,000	1,055,000	1,493,101	
511-7103-51615	Bond Interest	269,952	239,612	208,384	
511-0000-44101	Fee to General Fund	10,105,249	9,339,236	9,879,430	
511-7109-51850	Bad Debt Expense	1,126,559	1,000,000	1,000,000	