

## MEMORANDUM

**TO:** Jay Melder, City Manager  
Melissa Carter, Acting Chief Operating Officer  
Gene Prevatt, Government Operations Chief  
Quhannah Andrews, Senior Sanitation Director  
Sancia Joseph-Jarvis, Acting Budget Director  
File #26.1

**FROM:** David Maxwell, Senior Director of Financial Services

**DATE:** October 21, 2024

**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 2024 and 2025. Also attached is the annual update to the multi-year projections for the Sanitation Fund rates showing years 2024 through 2029.

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 \$36.0 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. The chart below reflects request received from Q. Andrews via email dated 10-4-2024 and reflects a re-ranking eliminating the previously budgeted funds for 2023 and 2024 and prioritizes the acquisition of 1445 Dean Forest Road in 2025.

	2023	2024	2025	2026	2027	2028
Leachate storage and load out facility	\$0	\$0	\$0	\$0	\$0	\$0
Acquire 1445 Dean Forest Road			7,000,000			
	\$0	\$0	\$7,000,000	\$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.

**Increased Operating Costs**

Rising costs related to operating activities have negatively impacted the fund’s generation of free cash flow. Per the chart that follows, operating cost increases have averaged 10.33% annually since 2019; however, rate increases have only averaged 1.98% over that same timeframe.

	<b>Actual Annual Operating Costs</b>			
	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
Personnel	\$10,846,411	\$9,450,633	\$10,089,007	\$14,723,100
Contracts	8,041,134	13,335,732	14,164,223	11,713,157
Commodities	1,221,504	1,642,261	2,774,471	2,987,362
Internal Services	3,646,589	3,648,012	4,632,625	5,358,981
	<b>\$23,755,638</b>	<b>\$28,076,638</b>	<b>\$31,660,326</b>	<b>\$34,782,600</b>
Annual Cost Increase	0.50%	18.19%	12.76%	9.86%
Annual Rate Increase	2.93%	0.00%	2.00%	3.00%

**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 current operations and the proposed capital plan; and
- Keep the overall Sanitation Fund subsidy/service fee required from the General Fund at minimal levels.

Revenue projections for 2025 assume rates for residential and commercial service are increased from 2024 by 5.00%.

Residential refuse rates for 2024 are \$38.83 per month. The recommended rate for 2025 is \$40.77, which is an increase of 5.0% or \$23.28 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 \$5.16/cy to \$5.42/cy (5.0%), and that commercial collection rates are raised from an average of \$4.97/cy to \$5.22/cy (5.0%).

**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:

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<b>Service</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Residential Service (Monthly basis)	\$36.60	\$37.70	\$38.83	\$40.77	\$42.81	\$44.95	\$47.19	\$49.55
Commercial Disposal Fee (\$/cu. yd.)	\$4.87	\$5.01	\$5.16	\$5.42	\$5.69	\$5.98	\$6.27	\$6.59
Commercial Collection Fees (\$/cu.yd.)								
River Street	\$6.72	\$6.92	\$7.13	\$7.49	\$7.86	\$8.26	\$8.67	\$9.10
Downtown Lanes	\$6.28	\$6.47	\$6.67	\$7.00	\$7.35	\$7.72	\$8.10	\$8.51
2-15 CY	\$4.26	\$4.39	\$4.52	\$4.75	\$4.99	\$5.24	\$5.50	\$5.77
16-47 CY	\$3.76	\$3.88	\$3.99	\$4.19	\$4.40	\$4.62	\$4.85	\$5.10
48-95 CY	\$3.34	\$3.44	\$3.54	\$3.72	\$3.90	\$4.10	\$4.30	\$4.52
96 + CY	\$2.62	\$2.70	\$2.78	\$2.92	\$3.07	\$3.22	\$3.38	\$3.55
Annual Increase	2.00%	3.00%	3.00%	5.00%	5.00%	5.00%	5.00%	5.00%

**Expense Projections**

For purposes of this analysis, 2025 and 2026 operating expenses are projected to increase by 6% over 2024 projected amounts. The assumed increase in 2027 is 4.5% and 4.5% 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>2023 Actual</b>	<b>2024 Projection</b>	<b>2025 Projection</b>	<b>2026 Projection</b>	<b>2027 Projection</b>	<b>2028 Projection</b>
General Fund Fee for Services	\$10,240,050	\$9,879,430	\$12,445,516	\$12,723,562	\$13,316,687	\$13,936,709

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**Projections for 2023-2025 Sanitation Fund Budget**

<b>BASE CASE SUMMARY</b>		<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Comment on 2024 Rates</b>
		<b>Actual</b>	<b>Projection</b>	<b>Projection</b>	
<b>Revenue</b>					
45301	Residential Fees	\$21,104,759	\$21,595,000	\$22,531,000	Increase from \$38.83 to \$40.77 per month (5.0%)
45302	Commercial Collection Fees	1,236,999	1,091,000	1,145,000	Increase rates an average of 5.0%
45310	Commercial Disposal Fees (City Customers)	1,234,127	1,134,000	1,191,000	Increase from \$5.16 to \$5.42 per cu. yd. (5.0%)
44301	Interfund Fees for City Disposal	483,350	469,247	492,723	
45309	C&D Waste Fees	394,243	405,635	425,933	
45305	Sweeper Citations	1,044,653	475,000	500,000	
45303	Landfill Charges	55,863	15,646	16,429	
45314	Recycling Rebates	55,953	-	50,000	
42998/9	Miscellaneous	1,728	1,000	1,000	
44302	Interfund Commercial Fees	337,000	347,000	364,000	
45304	Special Trash Collection Fee	29,062	60,000	61,800	
45308	Refuse Cart Sales	(50)	5,000	5,000	
45315	Senior Citizen Discount	(3)	-	-	
45316	Host Fee - private landfills	1,775,219	1,900,000	1,900,000	
45899	Miscellaneous AR Reserve	(2,075)	-	-	
47312	Sale of Fixed Assets	-	-	-	
48513	Transfer from Cart Replacement Fund	251,019	-	-	
45142	Late payment penalty	857,505	650,000	800,000	
47111	Interest earned	192,235	1,500	1,500	
48215	Transfer from Hurricane Matthew Fund	8,053	-	-	
	<b>Total Fees</b>	<b>29,059,639</b>	<b>28,150,028</b>	<b>29,485,385</b>	
<b>General Fund Fees and Subsidies:</b>					
44101	Fee for Services to General Fund	10,240,050	9,879,430	12,445,516	
48101	Subsidy Required to Balance Fund	-	-	-	
	<b>Total General Fund Fees</b>	<b>10,240,050</b>	<b>9,879,430</b>	<b>12,445,516</b>	
	<b>Total Revenue</b>	<b>\$ 39,299,689</b>	<b>\$ 38,029,458</b>	<b>\$ 41,930,901</b>	
<b>Expenses</b>					
7101	- Sanitation Director	\$ 1,002,520	\$ 1,331,677	\$ 1,161,578	
7102	- Residential Refuse	10,326,474	10,339,773	11,967,159	
7103	- Other Disposal System Costs	7,788,145	4,838,808	7,648,969	
7104	- Street Cleaning	3,706,814	3,775,047	5,101,550	
7105	- Commercial Refuse	2,731,810	2,428,330	2,974,030	
7107	- Recycling & Litter Services	7,153,190	6,722,383	7,975,726	
7110	- Property Maintenance Enforcement	-	-	-	
7106	- Interdepartmental	6,309,108	4,944,020	4,902,821	
	<b>Total Expenses</b>	<b>\$ 39,018,061</b>	<b>\$ 34,380,038</b>	<b>\$ 41,731,833</b>	
	<b>Surplus (deficit)</b>	<b>\$ 281,628</b>	<b>\$ 3,649,420</b>	<b>\$ 199,067</b>	
<b>Specific Expense Account Recommendations (imbedded in above numbers):</b>					
511-7109-51735	Landfill Depletion Allowance	\$1,430,000	\$1,064,000	\$1,100,000	
511-7103-51610	Bond Principal	1,055,000	1,090,000	1,120,000	
511-7103-51615	Bond Interest	239,612	208,384	176,120	
511-0000-44101	Fee to General Fund	10,240,050	9,879,430	12,445,516	
511-7109-51850	Bad Debt Expense	1,352,213	1,000,000	750,000	