

MEMORANDUM
Revised 9-26-2025

TO: Jay Melder, City Manager
Saesha Carlile, Chief Operating Officer
Gene Prevatt, Government Operations Chief
Quhannah Andrews, Senior Sanitation Director
Melissa Carter, Acting Budget Director
Taffanye Young, Assistant City Manager
File #26.1

FROM: David Maxwell, Senior Director of Financial Services

DATE: September 23, 2025

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 2025 and 2026. Also included in this memo is the annual update to the multi-year projection model for the Sanitation Fund rates showing years 2026 through 2030.

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 are looming and will need to be funded soon and will be very expensive. The current estimate of closure costs for cells 1A – 1C totals approximately \$14.1 million. As a first step in funding this looming liability, I have included \$8.0 million for this purpose in the capital plan in 2026.

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 plan includes construction of the new Dean Forest Operations Center commencing in 2029. It is projected that this \$30.0 million facility will be funded with a 2029 RRDA bond issue with debt service commencing in 2030. The chart below also includes the initial allotment for closure costs at the Dean Forest landfill in 2026.

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
PB0932 - Adams Complex Wash Rack	\$0	\$0	\$0	\$0	\$0
OP0155 - Fuel Site Upgrades	67,000				
Landfill closure costs	8,000,000	1,500,000	1,400,000	1,250,000	1,250,000
Dean Forest Operations Center construction				30,000,000	
	<u>\$8,067,000</u>	<u>\$1,500,000</u>	<u>\$1,400,000</u>	<u>\$31,250,000</u>	<u>\$1,250,000</u>

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.

One new bond issue of \$30.0 million is anticipated in 2029 to fund construction of the Dean Forest Operations Center. The forecast for this debt assumes a 5% interest rate and a 30 year amortization, which equates to approximately \$1.95 million in annual debt service beginning in 2030.

Increased Operating Costs

Rising costs related to operating activities have negatively impacted the fund's generation of free cash flow over the past several years. Per the chart that follows, operating cost increases have averaged 10.8% annually since 2019; however, rate increases have only averaged 2.2% over that same timeframe.

Actual Annual Operating Costs					
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Personnel	\$10,846,411	\$9,450,633	\$10,089,007	\$14,723,100	\$15,391,618
Contracts	8,041,134	13,335,732	14,164,223	11,713,157	14,495,653
Commodities	1,221,504	1,642,261	2,774,471	2,987,362	2,482,408
Internal Services	3,646,589	3,648,012	4,632,625	5,358,981	6,771,439
	\$23,755,638	\$28,076,638	\$31,660,326	\$34,782,600	\$39,141,118
Annual Cost Increase	0.50%	18.19%	12.76%	9.86%	12.53%
Annual Rate Increase	2.93%	0.00%	2.00%	3.00%	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 2026 assume rates for residential and commercial service are increased from 2025 by 5.00%.

Residential refuse rates for 2025 are \$40.77 per month. The recommended rate for 2026 is \$42.81, which is an increase of 5.0% or \$24.48 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 \$5.42/cy to \$5.69/cy (5.0%), and that commercial collection rates are raised from an average of \$5.22/cy to \$5.48/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:

Service	2024	2025	2026	2027	2028	2029	2030
Residential Service (Monthly basis)	\$38.83	\$40.77	\$42.81	\$44.95	\$47.19	\$49.55	\$52.03
Commercial Disposal Fee (\$/cu. yd.)	\$5.16	\$5.42	\$5.69	\$5.98	\$6.27	\$6.59	\$6.92
Commercial Collection Fees (\$/cu.yd.)							
River Street	\$7.13	\$7.49	\$7.86	\$8.26	\$8.67	\$9.10	\$9.56
Downtown Lanes	\$6.67	\$7.00	\$7.35	\$7.72	\$8.10	\$8.51	\$8.93
2-15 CY	\$4.52	\$4.75	\$4.99	\$5.24	\$5.50	\$5.77	\$6.06
16-47 CY	\$3.99	\$4.19	\$4.40	\$4.62	\$4.85	\$5.10	\$5.35
48-95 CY	\$3.54	\$3.72	\$3.90	\$4.10	\$4.30	\$4.52	\$4.74
96 + CY	\$2.78	\$2.92	\$3.07	\$3.22	\$3.38	\$3.55	\$3.73
Annual Increase	3.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Expense Projections

For purposes of this analysis, operating expenses in 2026 are projected to increase by 5% compared to the 2025 projected expenses. The assumed increase in 2027 through 2029 is 6.0% annually. The projected increase for 2030 is 5%. After firmer expense projections are available upon budget completion, this analysis may need to be updated. Expense projections, including any new service enhancements above those listed later, that are above the levels shown below will require adjustments to the model and **CAN NOT** be sustained at the currently projected rate increases. As such, it is recommended that annual expense budgets be brought into alignment with the figures shown below.

	2024 Actual	2025 Projection	2026 Projection	2027 Projection	2028 Projection	2029 Projection	2030 Projection
Expenses							
7101 - Sanitation Director	\$ 1,097,377	\$ 1,200,000	\$ 1,260,000	\$ 1,335,600	\$ 1,415,736	\$ 1,500,680	\$ 1,575,714
7102 - Residential Refuse	11,461,793	13,000,000	13,650,000	14,469,000	15,337,140	16,257,368	17,070,237
7103 - Other Disposal System Costs	10,458,391	8,033,588	8,484,637	8,916,650	9,373,498	9,856,734	10,938,953
7104 - Street Cleaning	4,484,445	4,300,000	4,515,000	4,785,900	5,073,054	5,377,437	5,646,309
7105 - Commercial Refuse	2,441,478	2,506,866	2,962,011	2,790,142	2,957,551	3,135,004	3,291,754
7107 - Recycling & Litter Services	7,512,958	7,700,000	8,085,000	8,570,100	9,084,306	9,629,364	10,110,833
7109 - Interdepartmental	5,204,737	5,993,011	6,192,162	6,489,171	6,802,842	7,135,112	7,434,168
Total Expenses	<u>\$ 42,661,181</u>	<u>\$ 42,733,465</u>	<u>\$ 45,148,810</u>	<u>\$ 47,356,563</u>	<u>\$ 50,044,126</u>	<u>\$ 52,891,700</u>	<u>\$ 56,067,967</u>

General Fund Impact

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

	2024 Actual	2025 Projection	2026 Projection
General Fund Fee for Services	\$11,348,245	\$11,326,604	\$12,004,936

2026 Service Enhancement Requests

The 2026 projections and beyond include the following service enhancement requests:

- \$55,000 for cab mounted truck cameras. This cost will be funded through expense reductions in overtime and temp labor-agency lines in AU 7102 in the FY26 proposed Sanitation budget.
- \$43,600 for a vehicle for the downtown litter crew. This cost will be funded through expense reductions in overtime and temp labor-agency lines in AU 7102 in the FY26 proposed Sanitation budget.
- \$329,802 for a litter machine for downtown lanes. This one-time cost has been added to the 2026 projected costs in AU 7105. This should be budgeted as a 2026 fleet addition.
- \$112,328 for two maintenance workers at the landfill. This recurring expense should be budgeted in AU 7103 in the FY26 proposed Sanitation budget.

Memo RE: 2025/2026 Sanitation Fund Projections

September 23, 2025

Page 5

Projections for 2024-2026 Sanitation Fund Budget

BASE CASE SUMMARY		2024 Actual	2025 Projection	2026 Projection	Comment on 2026 Rates
Revenue					
45301	Residential Fees	\$22,429,152	\$23,784,000	\$25,472,000	Increase from \$40.77 to \$42.81 per month (5.0%)
45302	Commercial Collection Fees	1,220,433	1,145,000	1,135,000	Increase rates an average of 5.0%
45310	Commercial Disposal Fees (City Customers)	1,228,534	1,191,000	1,181,000	Increase from \$5.42 to \$5.69 per cu. yd. (5.0%)
44301	Interfund Fees for City Disposal	246,970	1,015,023	1,065,774	
45309	C&D Waste Fees	328,450	425,950	447,248	
45305	Sweeper Citations	696,040	700,000	707,000	
45303	Landfill Charges	43,207	17,550	18,428	
45314	Recycling Rebates	84,522	90,000	90,000	
42998/9	Miscellaneous	-	1,000	1,000	
44302	Interfund Commercial Fees	401,343	392,000	412,000	
45304	Special Trash Collection Fee	28,791	29,655	30,544	
45308	Refuse Cart Sales	2,250	5,000	5,000	
45315	Senior Citizen Discount	33	33	33	
45316	Host Fee - private landfills	1,765,815	1,760,000	1,812,800	
45899	Miscellaneous AR Reserve	10,765	-	-	
47312	Sale of Fixed Assets	-	-	-	
48513	Transfer from Cart Replacement Fund	299,033	-	-	
45142	Late payment penalty	849,286	850,000	850,000	
47111	Interest earned	161,352	1,500	1,500	
48215	Transfer from Hurricane Matthew Fund	75,000	-	-	
	Total Fees	29,870,975	31,407,710	33,229,326	
General Fund Fees and Subsidies:					
44101	Fee for Services to General Fund	11,348,245	11,326,604	12,004,936	
48101	Subsidy Required to Balance Fund	-	-	-	
	Total General Fund Fees	11,348,245	11,326,604	12,004,936	
Total Revenue		<u>\$ 41,219,221</u>	<u>\$ 42,734,314</u>	<u>\$ 45,234,262</u>	
Expenses					
7101	- Sanitation Director	\$ 1,097,377	\$ 1,200,000	\$ 1,260,000	
7102	- Residential Refuse	11,461,793	13,000,000	13,650,000	
7103	- Other Disposal System Costs	10,458,391	8,033,588	8,372,309	
7104	- Street Cleaning	4,484,445	4,300,000	4,515,000	
7105	- Commercial Refuse	2,441,478	2,506,866	2,632,209	
7107	- Recycling & Litter Services	7,512,958	7,700,000	8,085,000	
7110	- Property Maintenance Enforcement	-	-	-	
7106	- Interdepartmental	5,204,737	5,993,011	6,192,162	
	Total Expenses	<u>\$ 42,661,181</u>	<u>\$ 42,733,465</u>	<u>\$ 44,706,680</u>	
Surplus (deficit)		<u>\$ (1,441,960)</u>	<u>\$ 849</u>	<u>\$ 527,582</u>	
Specific Expense Account Recommendations (imbedded in above numbers):					
511-7109-51735	Landfill Depletion Allowance	\$800,000	\$1,100,000	\$1,092,000	
511-7103-51610	Bond Principal	1,090,000	1,120,000	1,155,000	
511-7103-51615	Bond Interest	208,384	176,120	142,968	
511-0000-44101	Fee to General Fund	11,348,245	11,326,604	12,004,936	
511-7109-51850	Bad Debt Expense	1,101,214	750,000	750,000	