MEMORANDUM

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

FROM: David Maxwell, Senior Director of Financial Services

DATE: August 6, 2026

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 2026 and 2027. Also included in this memo is the annual update to the multi-year projection model for the Sanitation Fund rates showing years 2027 through 2031.

A multi-year approach for rate setting is recommended to ensure future rates are sufficient to cover the operating costs, future capital needs, and to provide funding for the costs associated with closure and post closure care. The current estimate of closure costs for cells 1A – 1C totals approximately $14.5 million. As a first step in funding this looming liability, I have included $8.0 million for this purpose in the capital plan in 2027.

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.

	2027	2028	2029	2030	2031
Landfill closure costs	$8,000,000				
	$8,000,000	$0	$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.

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 11.3% annually since 2021; however, rate increases have only averaged 2.6% over that same timeframe.

Actual Annual Operating Costs					
	2021	2022	2023	2024	2025
Personnel	$9,450,633	$10,089,007	$14,723,100	$15,391,618	$17,921,621
Contracts	13,335,732	14,164,223	11,713,157	14,495,653	14,500,597
Commodities	1,642,261	2,774,471	2,987,362	2,482,408	2,293,597
Internal Services	3,648,012	4,632,625	5,358,981	6,771,439	5,641,598
	$28,076,638	$31,660,326	$34,782,600	$39,141,118	$40,357,413
Annual Cost Increase	18.19%	12.76%	9.86%	12.53%	3.11%
Annual Rate Increase	0.00%	2.00%	3.00%	3.00%	5.00%

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 2027 assume rates for residential and commercial services are increased from 2026 by 5.00%.

Residential refuse rates for 2026 are $42.81 per month. The recommended rate for 2027 is $44.95, which is an increase of 5.0% or $25.68 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 $5.69/cy to $5.98/cy (5.0%), and that commercial collection rates are raised from an average of $5.48/cy to $5.75/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	2025	2026	2027	2028	2029	2030	2031
Residential Service (Monthly basis)	$40.77	$42.81	$44.95	$47.19	$49.55	$52.03	$54.63
Commercial Disposal Fee ($/cu. yd.)	$5.42	$5.69	$5.98	$6.27	$6.59	$6.92	$7.26
Commercial Collection Fees ($/cu.yd.)							
River Street	$7.49	$7.86	$8.26	$8.67	$9.10	$9.56	$10.03
Downtown Lanes	$7.00	$7.35	$7.72	$8.10	$8.51	$8.93	$9.38
2-15 CY	$4.75	$4.99	$5.24	$5.50	$5.77	$6.06	$6.36
16-47 CY	$4.19	$4.40	$4.62	$4.85	$5.10	$5.35	$5.62
48-95 CY	$3.72	$3.90	$4.10	$4.30	$4.52	$4.74	$4.98
96 + CY	$2.92	$3.07	$3.22	$3.38	$3.55	$3.73	$3.91
school board	$2.30	$2.42	$2.54	$2.66	$2.80	$2.94	$3.08
Annual Increase	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Expense Projections

For purposes of this analysis, operating expenses in 2027 are projected to increase by 4.6% compared to the 2026 budgeted expenses. The assumed increase in 2028 through 2031 is 4.5% annually. After firmer expense projections are available upon budget completion, this analysis may need to be updated. Expense projections, including any new service enhancements, above the current projections included in the model **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 cumulative annual figures shown below.

	2027 Projection	2028 Projection	2029 Projection	2030 Projection	2031 Projection
Expenses					
7101 - Sanitation Director	$ 1,478,962	$ 1,545,516	$ 1,615,064	$ 1,687,742	$ 1,763,690
7102 - Residential Refuse	14,123,144	14,758,685	15,422,826	16,116,853	16,842,112
7103 - Other Disposal System Costs	8,808,849	9,146,578	9,498,479	8,570,236	8,955,897
7104 - Street Cleaning	4,718,175	4,930,493	5,152,365	5,384,221	5,626,511
7105 - Commercial Refuse	3,038,356	3,175,082	3,317,961	3,467,269	3,623,296
7107 - Recycling & Litter Services	9,411,279	9,834,787	10,277,352	10,739,833	11,223,126
7109 - Interdepartmental	6,975,000	7,194,315	7,424,364	7,663,586	7,914,437
Total Expenses	$ 48,553,766	$ 50,585,456	$ 52,708,412	$ 53,629,741	$ 55,949,069

General Fund Impact

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

	2025 Actual	2026 Projection	2027 Projection
General Fund Fee for Services	$10,798,428	$12,004,932	$13,528,436

2027 Service Enhancement Requests

The 2027 projections and beyond do not include any service enhancements.

Projections for 2025-2027 Sanitation Fund Budget

BASE CASE SUMMARY		2025 Actual	2026 Projection	2027 Projection	Comment on 2027 Rates
Revenue					
45301	Residential Fees	$23,712,631	$25,472,000	$26,743,000	Increase from $42.81 to $44.95 per month (5.0%)
45302	Commercial Collection Fees	1,286,100	1,135,000	1,413,000	Increase rates an average of 5.0%
45310	Commercial Disposal Fees (City Customers)	1,266,347	1,181,000	1,456,000	Increase from $5.69 to $5.98 per cu. yd. (5.0%)
44301	Interfund Fees for City Disposal	1,375,023	1,065,774	1,081,736	
45309	C&D Waste Fees	278,239	447,248	402,539	
45305	Sweeper Citations	895,726	707,000	714,000	
45303	Landfill Charges	48,480	18,428	35,831	
45314	Recycling Rebates	109,128	90,000	90,000	
42998/9	Miscellaneous	-	1,000	1,000	
44302	Interfund Commercial Fees	398,268	412,000	433,000	
45304	Special Trash Collection Fee	51,339	30,544	31,460	
45308	Refuse Cart Sales	7,050	5,000	5,000	
45315	Senior Citizen Discount	13	33	33	
45316	Host Fee - private landfills	1,745,787	1,812,800	1,775,000	
45899	Miscellaneous AR Reserve	-	-	-	
47312	Sale of Fixed Assets	-	-	-	
48513	Transfer from Cart Replacement Fund	375,398	-	-	
45142	Late payment penalty	872,418	850,000	850,000	
47111	Interest earned	18,555	1,500	1,500	
48215	Transfer from Hurricane Matthew Fund	-	-	-	
	Total Fees	32,440,502	33,229,327	35,033,100	
General Fund Fees and Subsidies:					
44101	Fee for Services to General Fund	10,798,428	12,004,932	13,528,436	
48101	Subsidy Required to Balance Fund	-	-	-	
	Total General Fund Fees	10,798,428	12,004,932	13,528,436	
	Total Revenue	$ 43,238,930	$ 45,234,259	$ 48,561,536	
Expenses					
7101 - Sanitation Director		$ 1,240,715	$ 1,260,000	$ 1,478,962	
7102 - Residential Refuse		12,626,911	13,650,000	14,123,144	
7103 - Other Disposal System Costs		9,863,338	8,484,637	8,808,849	
7104 - Street Cleaning		4,047,084	4,515,000	4,718,175	
7105 - Commercial Refuse		2,102,430	2,962,011	3,038,356	
7107 - Recycling & Litter Services		7,424,472	8,085,000	9,411,279	
7110 - Property Maintenance Enforcement		-	-	-	
7106 - Interdepartmental		4,553,903	6,192,162	6,975,000	
	Total Expenses	$ 41,858,852	$ 45,148,810	$ 48,553,766	
	Surplus (deficit)	$ 1,380,078	$ 85,449	$ 7,770	
Specific Expense Account Recommendations (imbedded in above numbers):					
511-7109-51735 Landfill Depletion Allowance		$0	$1,092,000	$1,068,000	
511-7103-51610 Bond Principal		1,120,000	1,155,000	1,190,000	
511-7103-51615 Bond Interest		176,120	142,968	108,780	
511-0000-44101 Fee to General Fund		10,798,428	12,004,932	13,528,436	
511-7109-51850 Bad Debt Expense		1,114,065	750,000	1,100,000	