City of Bristol, Virginia
FY 2021 Solid Waste Collections Rate Study
Final Report

City of Bristol
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Bristol, VA 24201
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SCS ENGINEERS

02218208.01| April 8, 2020

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SCS ENGINEERS

April 8, 2020

Mr. Randall Eads
City Manager
City of Bristol
300 Lee St.
Bristol, VA 24201

Subject: Solid Waste Collections Rate Study – Final Report

Dear Mr. Eads:

SCS Engineers' Management Services team has completed a Solid Waste Collections Rate Study for the City of Bristol. The goal of this study was to help the City test various financial and operational scenarios and develop a financial management plan for each that will allow the City to evaluate its options over the projection period of FY 2021 – FY 2030.

The objectives of the Study presented herein were:

- Revenue Sufficiency Analysis – Project the sufficiency of revenues to fund operating expenses, capital improvements, and annual debt service payments over a 10-year projection period.
- Examine Potential Alternative Scenarios – Estimate the revenue adjustments and General Fund support that would be required if 1) the City continues to pay for the residents' tipping fees, 2) the residents pay for their tipping fees, 3) the landfill begins to accept only City waste, or 4) the City ceases to operate the landfill.

The analysis described in this report was based on information and kind assistance provided by you and your staff. We appreciate your participation in the analysis and look forward to continuing to work with you in the future. If you have any questions or would like to discuss this further, please call me anytime at (386) 546-7719.

Regards,

Vita Quinn, MBA
Director of Management Services
SCS Engineers

Max Hartong
Financial Analyst
SCS Engineers

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EXECUTIVE SUMMARY

This Executive Summary presents the results of a Solid Waste Collections Rate Study (Study) performed for the Solid Waste Disposal Fund of the City of Bristol, Virginia (City or Utility) by SCS Engineers (SCS).

BACKGROUND

The City's solid waste system provides curbside collection for its residents as well as operating an Integrated Solid Waste Management Facility (ISWMF or landfill). Curbside services include discarding of bulk trash, yard waste/brush, leaves, and grass clippings. Additionally, there are multiple drop-off facilities for recyclables and HHW. This service is more extensive than what residents receive in other localities. The City currently has contracts with various entities and municipalities that bring their solid waste to the City's landfill. Most of these contracts have not been updated and the rates have not been adjusted for inflation in recent years.

The Utility operates as an enterprise fund. In governmental accounting, an enterprise fund is a type of proprietary fund that engages in business-type activities, providing services and obtaining revenue through charges for services. Enterprise funds are intended to be largely self-supporting and are managed independently of other City finances.

However, the Solid Waste Disposal Fund has been receiving annual transfers from the General Fund and has historically relied on General Obligation debt to finance its landfill capital expenditures. In light of this, the Utility has considerable annual debt service obligations and is dependent upon the General Fund for annual transfers. However, the General Fund has been increasingly burdened by the Utility's need for transfers and the City is considering alternatives to make the Utility financially sustainable and eventually eliminate its dependence upon the General Fund.

In 2018, the City engaged SCS to perform an Independent Cost Analysis of the City's Solid Waste Disposal and Collection Divisions. At that time, the City raised its solid waste collections rates from $22.00 to $33.00 per month for the average residential customer. The City also decided to try to sell the ISWMF or find another entity to assume its operations.

However, the City has since been unable to sell or find another entity to operate and assume the financial burden for the ISWMF. As a result, the City has again retained SCS to conduct a Solid Waste Collections Rate Study to evaluate the continuing need for additional revenue and consider several alternative financial and operational scenarios.

The results of the Study are presented in this report and summarized in this Executive Summary.

PROJECT OBJECTIVE

The objectives of the Study were as follows:

- Revenue Sufficiency Analysis (RSA) - Perform a 10-year revenue sufficiency analysis for the Utility in order to estimate the sufficiency of the Utility's current revenues to meet its operating cost requirements throughout the projection period.

- Examine Potential Alternative Scenarios – The Study examines four possible scenarios that the City wishes to consider, as described below. For each scenario considered, the associated level of revenue adjustments and/or costs to the Utility as well as the level of need for continued General Fund support are identified and presented herein.

  Scenario A - Current Operations with City Funded Tipping Fees - The City's General Fund continues to pay the tipping fees to the landfill for the waste collected from the City's residents.

  Scenario B - Current Operations with Residents Paying Tipping Fees – The City's General Fund no longer pays the tipping fees to the landfill for the waste collected from the City's residents and the residents pay these tipping fees in their solid waste collections rates.

  Scenario C - City Waste Only (No Outside City Waste Accepted) – The City no longer accepts waste from haulers outside of the City of Bristol.

  Scenario D - Collections Only (No Landfill Operations) – The City no longer operates the landfill and pays for disposal of waste.

CONCLUSIONS AND RECOMMENDATIONS

Based on data and information provided by City staff, SCS developed a financial model for the Utility. The analysis looked at the sufficiency of the Utility's collections rate revenues and landfill tipping fees to fund the Utility's long-term cost requirements.

The Study determined that the Utility's current revenues will not provide sufficient revenue to meet its cost requirements over a 10-year period without significant support from the General Fund. The City is considering four different alternative scenarios for FY 2021 and each year thereafter. For each scenario, the 5-year revenue adjustment plans and associated level of support from the City's General Fund to allow the Utility to recover its cost of ongoing operations, capital costs, and annual debt service payments are summarized in the tables below.

The data, assumptions, and results of the Study along with schedules presenting the results for each scenario are detailed in Appendices A, B, C, & D of this report.

Scenario A

Current Operations with City Funded Tipping Fees

The plan in the table below details the 5-year plan of adjustments to the Utility's solid waste collections rates if the City's General Fund continues to pay the tipping fees to the landfill for the waste collected from the City's residents. The table also shows the additional contributions from the General Fund (in excess of tipping fees) that would be required for the Utility to remain financially solvent. It is important to note that this is how the Utility currently operates.

Scenario A - Current Operation City Funded Tipping Fees

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Adjustment $M	$1.01	$0.21	$0.23	$0.24	$0.25
Revenue Adjustment %	35.00%	5.50%	5.50%	5.50%	5.50%
General Fund Transfer $M	$0.57	$0.57	$0.57	$0.57	$0.57
Collections Rate	$44.55	$47.00	$49.59	$52.31	$55.19

Scenario B

Current Operations with Residents Paying Tipping Fees

The plan in the table below details the 5-year plan of adjustments to the Utility's solid waste collections rates and additional General Fund contributions that the Utility would require to remain financially solvent if the City's General Fund no longer pays the tipping fees to the landfill for the waste collected from the City's residents and, instead, the residents pay these tipping fees through their solid waste collections rates.

Scenario B - Current Operation Residents Paying Tipping Fees

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Adjustment $M	$1.16	$0.32	$0.31	$0.24	$0.26
Revenue Adjustment %	40.00%	8.00%	7.00%	5.25%	5.25%
General Fund Transfer $M	$0.57	$0.57	$0.57	$0.57	$0.57
Collections Rate	$46.20	$49.90	$53.39	$56.19	$59.14

Scenario C

City Waste Only (No Outside City Waste Accepted)

The plan in the table below details the 5-year plan of adjustments to the Utility's solid waste collections rates and additional General Fund contributions that the Utility would require if the City no longer accepts waste from haulers outside the City of Bristol.

This plan reflects all of the anticipated changes in the Utility's staffing, operating expenses, and capital costs due to the lower level of waste entering the landfill each year.

Scenario C - City Waste Only (No Outside City Waste Accepted)

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Adjustment $M	$2.75	$0.34	$0.36	$0.19	$0.19
Revenue Adjustment %	95.00%	6.00%	6.00%	3.00%	3.00%
General Fund Transfer $M	$0.57	$0.57	$0.57	$0.57	$0.57
Collections Rate	$64.35	$68.21	$72.30	$74.47	$76.71

Scenario D

Collections Only (No Landfill Operations)

The plan in the table below details the 5-year plan of adjustments to the Utility's solid waste collections rates and additional General Fund contributions that the Utility would require if the City no longer operates the landfill and pays for disposal of waste at another facility.

This plan reflects all of the anticipated changes in the Utility's staffing, operating expenses, additional disposal fees, and reduced capital costs due to no longer operating the landfill, but assumes that the Utility remains liable for its existing landfill debt service obligations as well as future post-closure care for the ISWMF.

Scenario D - Collections Only (No Landfill Operations)

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Adjustment $M	$1.01	$0.23	$0.21	$0.13	$0.13
Revenue Adjustment %	35.00%	6.00%	5.00%	3.00%	3.00%
General Fund Transfer $M	$0.00	$0.00	$0.00	$0.00	$0.00
Collections Rate	$44.55	$47.22	$49.58	$51.07	$52.60

1 INTRODUCTION

SCS Engineers (SCS) conducted a Solid Waste Rate Study for the Solid Waste Disposal Fund of the City of Bristol, Virginia (City or Utility). This report presents the objectives, source data and assumptions, analysis, and conclusions of the Study for a 10-year planning and projection period (FY 2021-2030).

BACKGROUND

The City of Bristol, Virginia (City) is an independent city with approximately 17,000 residents measuring about 13 square miles. It is surrounded to the North, East, and West by Washington County, Virginia, bordered on the south by (and shares its downtown with) Bristol, Tennessee, located in Sullivan County, Tennessee.

The City's solid waste utility operations are performed by the City's Solid Waste Disposal Fund. The Utility consists of a Collection Division and Disposal Division. The Collection Division is responsible for the curbside collection of waste and diverted material. The Disposal Division operates an Integrated Solid Waste Management Facility (ISWMF or landfill) for materials management and disposal. The City currently has contracts with various entities and municipalities that bring their solid waste to the City's landfill. These contracts are updated when they are periodically renewed but, due to significant competition in the area, the market will not currently tolerate higher tipping fees than the current rates.

The Utility operates as an enterprise fund. In governmental accounting, an enterprise fund is a type of proprietary fund that engages in business-type activities, providing services and obtaining revenue through charges for services. Enterprise funds are intended to be largely self-supporting and are managed independently of other City finances.

However, the City's historical and current aversion to inflationary-type increases in its collections rates and/or tipping fees resulted in the City using long-term borrowing to fund routine capital projects, such as landfill liners for the quarry landfill, which need to be added approximately every 3 years. Since the Utility was in no financial position to issue revenue bonds, the City turned to issuing General Obligation debt to fund these projects. Additionally, until recently, the City paid only interest payments on the debt and has repeatedly refinanced, adding to the Utility's debt burden.

The Utility's portion of the General Obligation debt is approximately $33.8 million in FY 2020 and requires average annual debt service payments in excess of $2.0 million per year. This amount represents about 28% of the Utility's operating budget in FY 2020. As a result, the Utility has been supported by annual transfers from the City's General Fund.

The City is no longer in a position to borrow, as the City is approaching its debt ceiling. The Utility wishes to cash fund its future landfill liner installations. In FY 2028, the Utility's annual debt service obligation will begin to decrease, as some of the debt issuances will be retiring in FY 2027.

As mentioned above, historically, previous City Councils and City management were averse to implementing annual inflationary-type rate or tipping fee increases. As a result, the Utility has not kept pace with its operating, debt, and capital cost increases since the landfill was established in 1998. The City is now led by a relatively new Council and City Manager. They recognize that the General Fund cannot financially afford to continue annual transfers to the Utility and that the Utility needs to generate revenues sufficient to recover the cost to provide collection services and operate the ISWMF. The current City management team has heeded recommendations since October 2017 to address this issue.

In 2018, the City engaged SCS to perform an Independent Cost Analysis of the City's Solid Waste Disposal and Collection Divisions. At that time, the City raised its solid waste collections rates from $22.00 to $33.00 per month for the average residential customer. The City also decided to try to sell the ISWMF or find another entity to assume its operations. However, the City has since been unable to sell or find another entity to operate and assume the financial burden for the ISWMF and the Utility required a landfill liner at the cost of approximately $1.85 million in FY 2020.

As a result, the City has again retained SCS to conduct a Solid Waste Collections Rate Study to evaluate the continuing need for additional revenue and consider several alternative financial and operational scenarios. The results of the Study are presented herein.

PROJECT OBJECTIVE

The objectives of the Study were as follows:

- Revenue Sufficiency Analysis (RSA) - Perform a 10-year revenue sufficiency analysis for the Utility in order to estimate the sufficiency of the Utility's current revenues to meet its operating cost requirements throughout the projection period.

- Examine Potential Alternative Scenarios – The Study examines four possible scenarios that the City wishes to consider, as described below. For each scenario considered, the associated level of revenue adjustments and/or costs to the Utility as well as the level of need for continued General Fund support are identified and presented herein.

  Scenario A - Current Operations with City Funded Tipping Fees - The City's General Fund continues to pay the tipping fees to the landfill for the waste collected from the City's residents.

  Scenario B - Current Operations with Residents Paying Tipping Fees – The City's General Fund no longer pays the tipping fees to the landfill for the waste collected from the City's residents and the residents pay these tipping fees in their solid waste collections rates.

  Scenario C - City Waste Only (No Outside City Waste Accepted) – The City no longer accepts waste from haulers outside of the City of Bristol.

Scenario D - Collections Only (No Landfill Operations) – The City no longer operates the landfill and pays for disposal of waste.

2 REVENUE SUFFICIENCY ANALYSIS

DESCRIPTION

In order to initialize the Study, we obtained the Utility's historical and budgeted financial information, population served, tonnage accepted at the ISWMF, multi-year capital improvement program, and documented any current financial and debt policies. We also spoke with City staff regarding other assumptions and policies that would affect the financial performance of the Utility, such as trends in demands, planned developments/customer growth, levels of General Fund support, capital funding sources, escalation rates for operating costs, impacts of potential regulatory and legislative initiatives, etc.

We then input this information into our revenue sufficiency model. The model creates a multi-year projection of the Utility's current revenues to assess whether or not the Utility can meet the projected financial requirements throughout the projection period through FY 2030. The model then calculates the level of rate adjustments and/or General Fund transfers required for the Utility to meet its revenue requirements. It replicates the cash flows of the Utility in each year of the projection period, based upon City policies, assumed growth in the system, and available fund balances. In each year, the model utilizes unrestricted fund balances, revenues, and capital funds to pay for any operating or capital expenditures in that year.

SOURCE DATA

The following sections present the key source data used for the Study:

Beginning Fund Balances

Trial balance schedules for the fiscal year ended 6/30/2019 provided by City staff were used to establish fund balances for the Utility.

Collections Rate Revenues

Rate revenues for FY 2020, which consist of solid waste collection and dumpster permit fees, were based upon the FY 2020 Budget. Beginning in FY 2021, revenues were calculated based upon prior year revenues, projected growth in accounts, and assumed rate adjustments.

Tipping Fee Revenues

As mentioned earlier, the City obtains the majority of its tipping fee revenues through contracts with various entities and municipalities that bring their solid waste to the City's landfill. Most of these

contracts have not been updated, and the rates have not been adjusted for inflation in recent years. While the City has attempted to renegotiate these established tipping fees, the entities/municipalities have other nearby alternatives for disposal that make their demand for the City's ISWMF relatively elastic.

It is important to note that, because of this, the analysis assumes that negotiated tipping fees and associated revenues will remain constant throughout the projection period in Scenarios A & B, and will be eliminated entirely beginning in FY 2021 for Scenarios C & D.

Other Revenues

All non-rate revenues (with the exception of interest earnings, discussed in Assumptions below) for FY 2020 were based upon the FY 2020 Budget and discussions with City staff. In each subsequent year, these revenues were based upon the FY 2020 Budget.

General Fund Support

The City's Utility operations currently operate at a cash flow deficit. In order to balance the budget in each year, the Utility receives a transfer from the General Fund, in addition to the General Fund paying for the residents' tipping fees at the ISWMF. The General Fund transfer amount, not including the payment of tipping fees, was approximately $887,000 in FY 2018 and $567,000 in FY 2019. This amount of General Fund transfer will differ beginning in FY 2021, based on each scenario considered. The General Fund payment of the residents' tipping fees is only assumed in Scenario A.

Operating Expenses

Expenses in FY 2020 were based upon the FY 2020 Budget and conversations with City staff. In each year thereafter, expenses were based on the FY 2020 Budget, conversations with City staff, and assumed cost escalation factors that were reviewed with City Staff (with the exception of annual debt service expenses, discussed below). A few items in the FY 2021 Budget including Lease/Rental of Equipment, Operating Supplies, and Landfill Postclosure care were based on the FY 2021 Budget, which was developed using a zero based budgeting approach. As a result, the FY 2021 Budget is greater than the FY 2020 Budget.

Existing Debt Service

The annual repayment schedules for each outstanding bond/loan were provided by and discussed in detail with City staff. The Utility's existing debt service obligations of approximately $33.8 million are General Obligation debt, issued with the full faith and backing of the City's General Fund.

As the Utility has not issued revenue bonds, it has no debt service coverage requirements.

Capital Improvement Program (CIP)

The City provided a budgeted capital improvement program, which consists of a Landfill Sidewall Liner cost of $1.85 million in FY 2020. The City also plans on spending $21,000 annually on Trash Cart Replacements starting in FY 2020. The remainder of the capital plan will vary based on which operational plan the Utility chooses, as described in the following sections.

ASSUMPTIONS

Interest Earnings on Invested Funds

The Study assumes interest earnings of 0.20% in throughout the projection period. This was based on prior year interest earnings and conversations with City staff.

Minimum Operating Reserve Balance

Working capital reserve policies are created so that funds will be available for short-term cash flow requirements and to minimize risk. For example, a utility may experience a temporary or seasonal decline in billed revenues, higher than budgeted operating expenses, or unanticipated capital projects because of emergencies such as system failures or natural disasters.

In our experience, many utilities maintain policies requiring approximately 3 to 6 months of Operations and Maintenance (O&M) expenses as a working capital reserve. This is consistent with the evaluation criteria used by various ratings agencies to define a healthy utility.

At this time the City Council is choosing not to build reserves in order to minimize the need for collections rate adjustments that would impact the City's customers. However, as the Utility works toward future financial sustainability, we recommend that the City consider setting a minimum working capital reserve requirement for the Utility in the future.

Cost Escalation

Beginning in FY 2021, escalation factors were applied to each line item in the budget based upon historical trends, our industry experience, and discussions with City staff.

Future Borrowing Assumptions

It is assumed that the City will issue no further debt to support the Utility and that the Utility will cash fund its future capital.

MEETINGS WITH STAFF

After loading the revenue sufficiency model and calibrating it to the Utility's financial dynamics, we conducted an interactive meeting with staff to review the data provided. During the meeting, we

projected our model onto a viewing screen, walked City staff through the data, and discussed any questions that arose during our analysis. We also discussed assumptions to be used in the analysis, such as working capital reserve targets, interest earnings on fund balances, future development that may affect customer growth, policies or regulatory requirements that may affect operational requirements, operating cost escalation rates, etc.

Once we reviewed the model, we tested sensitivity of the model outcomes to changes in variables such as capital spending or operational changes. For each scenario, we developed a corresponding financial management plan and series of annual rate adjustments that would allow the Utility to meet its cost requirements while attaining its strategic goals and financial performance objectives.

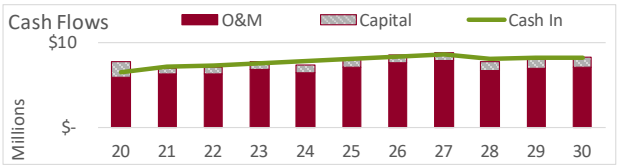
ANALYSIS

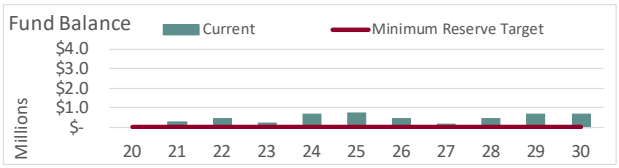
The Study determined that the City's current revenues are not sufficient to meet the projected financial needs of the Utility to fund its ongoing operations, capital program, annual debt service, and working capital reserve requirements. Therefore, a long-term financial management plan was developed for the Utility for each scenario considered. The following pages present the recommended plans and descriptions of the scenarios considered.

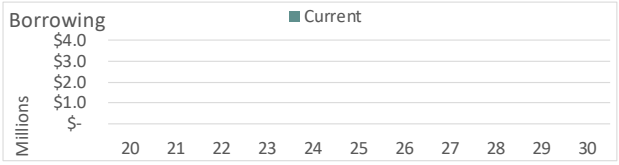
Scenario A – Current Operations with City Funded Tipping fees

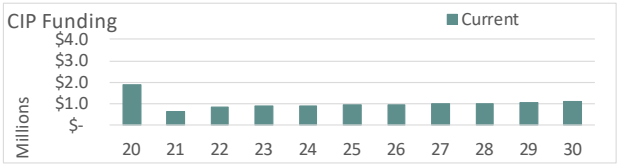
City of Bristol, VA
Scenario A - Current Operation City Funded Tipping Fees

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment $M	$0.00	$1.01	$0.21	$0.23	$0.24	$0.25	$0.26	$0.28	$0.11	$0.11	$0.11
Revenue Adjustment %	0.00%	35.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	2.00%	2.00%	2.00%
General Fund Transfer $M	$1.19	$0.57	$0.57	$0.57	$0.57	$0.57	$0.57	$0.57	$0.00	$0.00	$0.00
Collections Rate	$33.00	$44.55	$47.00	$49.59	$52.31	$55.19	$58.23	$61.43	$62.66	$63.91	$65.19









Pictured above are the cash flows, fund balance levels, and CIP funding over a 10-year projection period if the Utility does not make any financial or operational changes. In this scenario, the Utility will need an average annual General Fund transfer of approximately $0.65 million through FY 2027 and there is a large increase in collections rates of 35.00% in FY 2021, lesser increases of 5.50% per year for FY 2022 – FY 2027, and inflationary-like increases in each year thereafter.

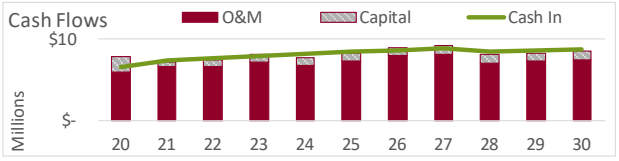
Capital Plan

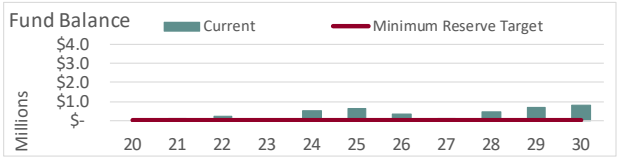
In addition to the large Landfill Sidewall Liner cost in FY 2020 and the annual Trash Cart Replacements, this plan also includes $600,000 of annual funding for additional Landfill Sidewall Liner Costs and $200,000 of Unidentified Future Capital in each year starting in FY 2022. If the City chooses Scenario A, total capital project cost would be $11.31 million over the course of the 10-year projection period.

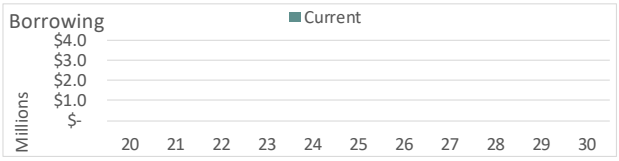
Scenario B – Current Operations with Residents Paying Tipping Fees

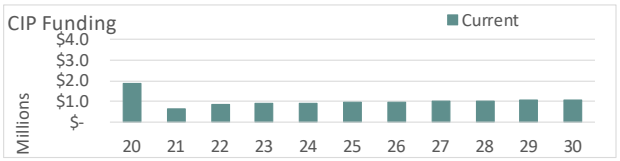
City of Bristol, VA
Scenario B - Current Operation Residents Paying Tipping Fees

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment $M	$0.00	$1.16	$0.32	$0.31	$0.24	$0.26	$0.27	$0.28	$0.11	$0.12	$0.12
Revenue Adjustment %	0.00%	40.00%	8.00%	7.00%	5.25%	5.25%	5.25%	5.25%	2.00%	2.00%	2.00%
General Fund Transfer $M	$1.19	$0.57	$0.57	$0.57	$0.57	$0.57	$0.57	$0.57	$0.00	$0.00	$0.00
Collections Rate	$33.00	$46.20	$49.90	$53.39	$56.19	$59.14	$62.25	$65.51	$66.82	$68.16	$69.52









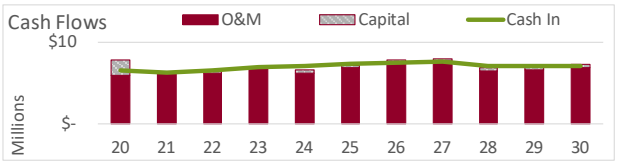
Pictured above are the cash flows, fund balance levels, and CIP funding over a 10-year projection period if the Utility chooses to transfer tipping fees to residents. In this scenario, the Utility will need an average General Fund transfer of $0.65 million through FY 2027 and there is a large increase in collections rates of 40.00% in FY 2021, 8.00% in FY 2022, 7.00% in FY 2023, lesser increases of 5.25% per year for FY 2024 – FY 2027, and inflationary-like increases in each year thereafter.

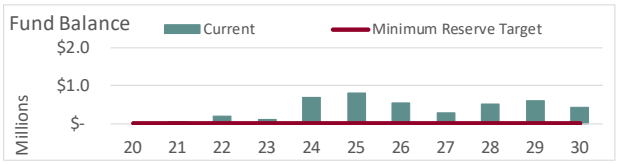
Capital Plan

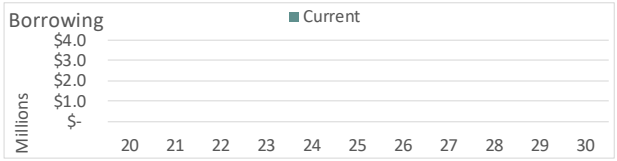
In addition to the large Landfill Sidewall Liner cost in FY 2020 and the annual Trash Cart Replacements, this plan also includes $600,000 of annual funding for additional Landfill Sidewall Liner Costs and $200,000 of Unidentified Future Capital starting in FY 2022. If the City chooses Scenario B, total capital project cost for this scenario would be $11.31 million over the course of the 10-year projection period.

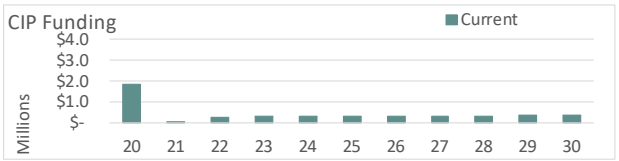
Scenario C – City Only Waste (No Outside City Waste Accepted)

City of Bristol, VA Scenario C - City Waste Only (No Outside City Waste Accepted)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment $M	$0.00	$2.75	$0.34	$0.36	$0.19	$0.19	$0.20	$0.21	$0.00	$0.00	$0.00
Revenue Adjustment %	0.00%	95.00%	6.00%	6.00%	3.00%	3.00%	3.00%	3.00%	0.00%	0.00%	0.00%
General Fund Transfer $M	$1.19	$0.57	$0.57	$0.57	$0.57	$0.57	$0.57	$0.57	$0.00	$0.00	$0.00
Collections Rate	$33.00	$64.35	$68.21	$72.30	$74.47	$76.71	$79.01	$81.38	$81.38	$81.38	$81.38









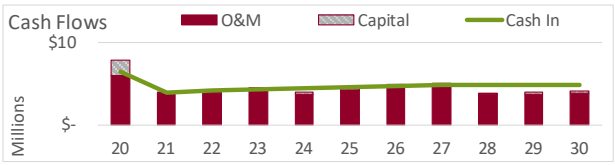
Pictured above are the cash flows, fund balance levels, and CIP funding over a 10-year projection period if the Utility were to accept City waste only, barring outside City refuse. In this scenario, the Utility will need an average General Fund transfer of $0.65 million through FY 2027 and there is a large increase in collections rates of 95.00% in FY 2021, 6.00% per year for FY 2022 – FY 2023, lesser increases of 3.00% per year for FY 2024 – FY 2027, and no increases thereafter.

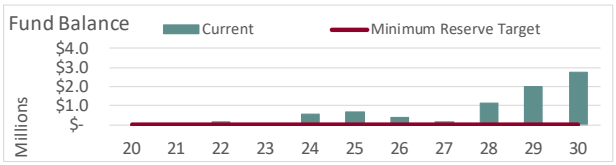
Capital Plan

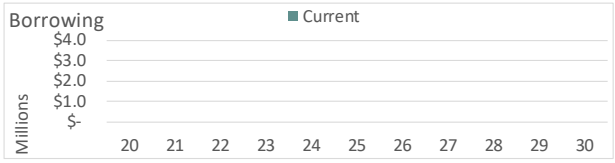
In addition to the large Landfill Sidewall Liner cost in FY 2020 and the annual Trash Cart Replacements, this plan also includes $50,000 of annual funding for additional Landfill Sidewall Liner Costs and $200,000 of Unidentified Future Capital starting in FY 2022. If the City chooses Scenario C, total capital project cost for this scenario would be $4.85 million over the course of the 10-year projection period.

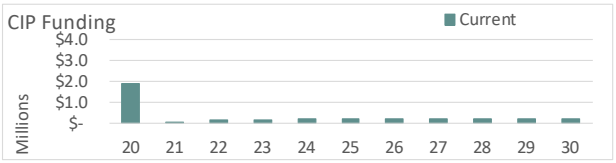
Scenario D – Collections Only (No Landfill Operation)

City of Bristol, VA Scenario D - Collections Only (No Landfill Operations)											
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment $M	$0.00	$1.01	$0.23	$0.21	$0.13	$0.13	$0.14	$0.14	$0.00	$0.00	$0.00
Revenue Adjustment %	0.00%	35.00%	6.00%	5.00%	3.00%	3.00%	3.00%	3.00%	0.00%	0.00%	0.00%
General Fund Transfer $M	$1.19	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Collections Rate	$33.00	$44.55	$47.22	$49.58	$51.07	$52.60	$54.18	$55.81	$55.81	$55.81	$55.81









Pictured above are the cash flows, fund balance levels, and CIP funding over a 10-year projection period if the City Utility were to discontinue landfill operations but continue to perform collections and pay to dispose of the waste. In this scenario, the Utility will not need a General Fund transfer after FY 2020. However, there is a large increase in collections rates of 35.00% in FY 2021, 6.00% in FY 2022, 5.00% in FY 2023, inflationary-like increases of 3.00% per year for FY 2024 – FY 2027, and no increases thereafter.

Capital Plan

In addition to the large Landfill Sidewall Liner cost in FY 2020 and the annual Trash Cart Replacements, this plan also includes $150,000 of Unidentified Future Capital starting in FY 2022. If the City chooses Scenario D, total capital project cost for this scenario would be $3.73 million over the course of the 10-year projection period.

3 RECOMMENDATIONS

Based upon the results of the Study described herein, we recommend the following:

- Based upon the data, assumptions, and conversations with City staff described herein, our analysis concludes that Utility's current fees and rates are not sufficient to meet its ongoing operating and capital requirements over the 10-year projection period.
- Shown below are the recommended revenue adjustments and General Fund transfers required for the Utility operations to be sustainable over a five-year projection period.

Scenario A – Current Operations with City Funded Tipping Fees

In Scenario A, operations will remain the same. The General Fund will transfer about $570,000 per year to the Utility through FY 2027 and will continue to pay the tipping fees for the waste generated by the City's residents. In this scenario, there is a large increase in collections rates of 35.00% in FY 2021, and lesser increases of 5.50% per year for FY 2022 – FY 2025.

Scenario A - Current Operation City Funded Tipping Fees

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Adjustment $M	$1.01	$0.21	$0.23	$0.24	$0.25
Revenue Adjustment %	35.00%	5.50%	5.50%	5.50%	5.50%
General Fund Transfer $M	$0.57	$0.57	$0.57	$0.57	$0.57
Collections Rate	$44.55	$47.00	$49.59	$52.31	$55.19

Scenario B – Current Operations with Residents Paying Tipping Fees

In Scenario B, operations will remain the same but the City will discontinue paying the tipping fees for the waste generated by the City's residents. As in Scenario A, the General Fund will transfer about $570,000 per year to the Utility through FY 2027. In this scenario, there is a large increase in collections rates of 40.00% in FY 2021, 8.00% in FY 2022, 7.00% in FY 2023, and lesser increases of 5.25% per year for FY 2024 – FY 2025.

Scenario B - Current Operation Residents Paying Tipping Fees

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Adjustment $M	$1.16	$0.32	$0.31	$0.24	$0.26
Revenue Adjustment %	40.00%	8.00%	7.00%	5.25%	5.25%
General Fund Transfer $M	$0.57	$0.57	$0.57	$0.57	$0.57
Collections Rate	$46.20	$49.90	$53.39	$56.19	$59.14

Scenario C – City Only Waste (No Outside City Waste Accepted)

In Scenario C, the Utility will cease accepting waste from outside of the City. As in Scenarios A & B, the General Fund will transfer about $570,000 per year to the Utility through FY 2027. In this scenario, there is a large increase in collections rates of 95.00% in FY 2021, 6.00% per year for FY 2022 – FY 2023, and lesser increases of 3.00% per year for FY 2024 – FY 2025.

Scenario C - City Waste Only (No Outside City Waste Accepted)

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Adjustment $M	$2.75	$0.34	$0.36	$0.19	$0.19
Revenue Adjustment %	95.00%	6.00%	6.00%	3.00%	3.00%
General Fund Transfer $M	$0.57	$0.57	$0.57	$0.57	$0.57
Collections Rate	$64.35	$68.21	$72.30	$74.47	$76.71

Scenario D – Collections Only (No Landfill Operation)

In Scenario D, the Utility will perform collections exclusively and cease all landfill operations. In this case, the Utility will not require any General Fund transfer after FY 2020. In this scenario, there is a large increase in collections rates of 35.00% in FY 2021, 6.00% in FY 2022, 5.00% in FY 2023, and inflationary-like increases of 3.00% per year for FY 2024 – FY 2025.

Scenario D - Collections Only (No Landfill Operations)

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Adjustment $M	$1.01	$0.23	$0.21	$0.13	$0.13
Revenue Adjustment %	35.00%	6.00%	5.00%	3.00%	3.00%
General Fund Transfer $M	$0.00	$0.00	$0.00	$0.00	$0.00
Collections Rate	$44.55	$47.22	$49.58	$51.07	$52.60

- Regardless of the scenario selected, the City should update the revenue sufficiency analysis portion of this Study every 1-2 years to be sure that the recommended rate plan continues to be sufficient to fund the Utility's operations while meeting all of its financial policies and goals.