



CITY COUNCIL SPECIAL MEETING AGENDA

April 4, 2022 – 5:00 p.m.

City Hall Council Chambers – 227 S. Center Street, Statesville, NC

- I. Call to Order**
- II. Provide guidance to staff regarding the potential elimination of the Solid Waste Fee.**
- III. Other Business** *(if needed)*
- IV. Closed Session** *(if needed)*
- V. Adjournment**

CITY COUNCIL ACTION REQUEST

TO: Mayor and City Council
FROM: Ron Smith, City Manager
DATE: March 28, 2022

ACTION NEEDED ON: April 4, 2022
(Date of Council Meeting)

COUNCIL ACTION REQUESTED:

Provide guidance to staff regarding the potential elimination of the Solid Waste Fee.

1. Summary of Information:

The attached memo summarizes options for the potential elimination of this fee. Staff was asked to develop a plan at the March 7, 2022 City Council meeting. Four options have been developed for your consideration, all of which include a shift in funding of streetlights from the General Fund to the Electric Utility.

2. Previous Council or Relevant Actions: This topic has been discussed several times since the inception of the fee in 2016.

3. Budget/Funding Implications: See attached memo.

4. Consequences for Not Acting: The immediate consequence for not acting is that the fee will remain as-is and the FY2023 budget will be built with that in mind. Any subsequent changes to the fee, prior to the adoption of the FY2023 budget, will complicate the process and burden the Iredell County Tax Office, as they are responsible for including the fee on city resident's tax bills. This means that a final decision should be made as soon as possible.

5. Department Recommendation: n/a

6. Manager Comments: Staff has no recommendation other than a decision should be made as quickly as possible.

7. Next Steps:

- Include any decision into the FY2023 budget development process
- Notify the Iredell County Tax Office of any changes

Attachments:

1. Memo outlining the proposed options



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MEMORANDUM

TO: Mayor and City Council
FROM: Ron Smith, City Manager
DATE: March 23, 2022
SUBJECT: Solid Waste Fee Phase Out Plan

Staff has reviewed options that would allow for the elimination of the solid waste fee (SWF). Shown in this memo are four options for your consideration. They vary between an immediate elimination, to one that would take place over the next four fiscal years. Each option includes funding streetlights from the electric utility, thus freeing up approximately \$500,000 in the street budget. Also shown are the requisite tax increases that were requested to be included as a "hybrid" option. Since this is a loss in revenue, if taxes are not increased there will be correlating cuts to the budget or proposed increases to other revenue sources.

The Electric Utility can absorb this cost in their fund for at least two years without considering a rate increase. It is unlikely that this change will necessitate a significant impact on rates, but it will have to be contemplated as we move forward. John Maclaga plans to do a rate study in the next year or so, which will help us understand the specific impacts.

The Statesville Housing Authority (SHA) currently does not pay the solid waste fee and did not pay anything additional prior to it being implemented. When the SWF was adopted and included on the tax bill, SHA was not affected, as they do not receive a tax bill. This has been the cause of numerous conversations about equity.

The potential solution to the omission of SHA would be to charge a tipping fee, as is done with commercial properties that use totes/carts instead of dumpsters. That fee is \$14.95/month and would cost SHA roughly \$95,000 per year. **However, if the Council's intention is to eliminate the SWF it may not be worth pursuing the tipping fee option, as prior to its adoption the SHA did not pay anything more for the service.**

We do need your input to move this into the budget. I plan to bring this to the April 4th City Council meeting for discussion and guidance, but please give me any comments or ask questions prior to that meeting. If you need to meet early with me and Brian, we can certainly do so.

The elimination options are as follows:

1. **Eliminate in FY2023 (upcoming budget)** - This option would apply \$500,000 from Electric, decrease the SWF to \$0 and raise taxes by \$0.0175 (1.75 cents). If taxes are not raised to cover the \$600,000 net loss of revenue, we would have to “find” those funds somewhere else.

Phaseout Through FY23			
FY23 Sanitation Fee	\$	-	\$ -
FY22 Solid Waste Residential	\$	1,100,000	
FY23 Electric Reimbursement	\$	500,000	
FY23 Budget Revenue	\$	-	
FY23 Tax Impact	\$	600,000	
SWF per year	\$	-	
FY23 Tax Increase	\$	0.0175	

2. **Eliminate in FY2024 (over two years)** - Apply \$500,000 from Electric and cut the fee to \$60/year in the FY2023 budget. The second year (FY2024) would apply the same Electric contribution, eliminate the fee, and either “find” \$600,000 in revenue or raise taxes by \$0.0175 (*this could be lower, as the county reappraisal will be taking place and the value of a penny on the tax rate will likely be higher*).

Phaseout Through FY24			
FY23 Sanitation Fee	\$	60	\$ 600,000
FY24 Sanitation Fee	\$	-	\$ -
FY22 Solid Waste Residential	\$	1,100,000	
FY23 Electric Reimbursement	\$	500,000	
FY23 Budget Revenue	\$	600,000	
FY23 Tax Impact	\$	-	
SWF Per year	\$	60	
FY23 Tax Increase	\$	-	
FY22 Solid Waste Residential	\$	1,100,000	
FY24 Electric Reimbursement	\$	500,000	
FY24 Budget Revenue	\$	-	
FY24 Tax Impact	\$	600,000	
SWF per year	\$	-	
FY24 Tax Increase	\$	0.0175	

*** Option 3 on Next Page**

3. **Eliminate in FY2025 (over three years)** - Apply \$500,000 from Electric, cut the fee to \$60/year in the FY2023 budget. The second year (FY2024) would apply the same Electric contribution, cut the fee to \$30/year, and either “find” \$300,000 in revenue or raise taxes by \$0.0088 (.88 of a cent). The third year (FY2025) would apply the same Electric contribution, eliminate the fee, and either “find” \$300,000 (or \$600,000 if the tax rate is not raised in FY24) in revenue or raise taxes by \$0.0088. The cumulative tax increase over the two latter years would be \$0.0175.

Phaseout Through FY25			
FY23 Sanitation Fee	\$	60	\$ 600,000
FY24 Sanitation Fee	\$	30	\$ 300,000
FY25 Sanitation Fee	\$	-	\$ -
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FY22 Solid Waste Residential	\$	1,100,000	
FY23 Electric Reimbursement	\$	500,000	
FY23 Budget Revenue	\$	600,000	
FY23 Tax Impact	\$	-	
SWF per year	\$	60	
FY23 Tax Increase	\$	-	
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FY22 Solid Waste Residential	\$	1,100,000	
FY24 Electric Reimbursement	\$	500,000	
FY24 Budget Revenue	\$	300,000	
FY24 Tax Impact	\$	300,000	
SWF per year	\$	30	
FY24 Incremental Tax Increase	\$	0.0088	
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FY22 Solid Waste Residential	\$	1,100,000	
FY25 Electric Reimbursement	\$	500,000	
FY25 Budget Revenue	\$	-	
FY25 Tax Impact	\$	600,000	
SWF per year	\$	-	
FY25 Incremental Tax Increase	\$	0.0088	
Cumulative Tax Increase	\$	0.0175	

*** Option 4 on Next Page**

4. **Eliminate in FY2026 (over four years)** - Apply \$500,000 from Electric, cut the fee to \$60/year in the FY2023 budget. The second year (FY2024) would apply the same Electric contribution, cut the fee to \$40/year and either “find” \$200,000 in revenue or raise taxes by \$0.0058 (.58 of a cent). The third year (FY2025) would apply the same Electric contribution, cut the fee to \$20/year, and either “find” \$400,000 in revenue or raise taxes by \$0.0058. The fourth year (FY2026) would apply the same Electric contribution, eliminate the fee, and either “find” \$600,000 in revenue or raise taxes by \$0.0058. The cumulative tax increase over this period is \$0.0175.

Phaseout Through FY26			
FY23 Sanitation Fee	\$	60	\$ 600,000
FY24 Sanitation Fee	\$	40	\$ 400,000
FY25 Sanitation Fee	\$	20	\$ 200,000
FY26 Sanitation Fee	\$	-	\$ -
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FY22 Solid Waste Residential	\$	1,100,000	
FY23 Electric Reimbursement	\$	500,000	
FY23 Budget Revenue from SWF	\$	<u>600,000</u>	
FY23 Tax Impact	\$	-	
SWF per year	\$	60	
FY23 Tax Increase	\$	-	
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FY22 Solid Waste Residential	\$	1,100,000	
FY24 Electric Reimbursement	\$	500,000	
FY24 Budget Revenue from SWF	\$	<u>400,000</u>	
FY24 Tax Impact	\$	200,000	
SWF per year	\$	40	
FY24 Tax Increase	\$	0.0058	
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FY22 Solid Waste Residential	\$	1,100,000	
FY25 Electric Reimbursement	\$	500,000	
FY25 Budget Revenue from SWF	\$	<u>200,000</u>	
FY25 Tax Impact	\$	400,000	
SWF per year	\$	20	
FY25 Incremental Tax Increase	\$	0.0058	
FY25 Cumulative Tax Increase	\$	0.0117	
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FY22 Solid Waste Residential	\$	1,100,000	
FY26 Electric Reimbursement	\$	500,000	
FY26 Budget Revenue from SWF	\$	<u>-</u>	
FY26 Tax Impact	\$	600,000	
SWF per year	\$	-	
FY26 Incremental Tax Increase	\$	0.0058	
Cumulative Tax Increase	\$	0.0175	