

County of Monroe

The Florida Keys



BOARD OF COUNTY COMMISSIONERS

Mayor David Rice, District 4
 Mayor Pro Tem Craig Cates, District 1
 Michelle Coldiron, District 2
 James K. Scholl, District 3
 Holly Merrill Raschein, District 5

County Commission Meeting

June 15, 2022

Agenda Item Number: S.2

Agenda Item Summary #10715

BULK ITEM: No

DEPARTMENT: Solid Waste

TIME APPROXIMATE:
probably

STAFF CONTACT: Cheryl Sullivan (305) 292-4536

AGENDA ITEM WORDING: Discussion and direction for response to the requests for extraordinary rate increases on residential collection fees by Waste Management, Marathon Garbage Service, and Keys Sanitary Service due to increases in labor and fuel costs and increases in haul out and disposal costs.

ITEM BACKGROUND:

Following the May 2022 BOCC meeting three (3) franchisees submitted requests for extraordinary residential rate increases. The requested increases are 13% (Marathon Garbage), 12.63% (Keys Sanitary), and 9.75% (Waste Management).

Waste Management also included in its request an adjustment of \$4.06/ton for the haul out and disposal of solid waste on both residential and commercial solid waste.

Marathon Garbage is also requesting a \$7.35/CY (13%) increase in the collection fee for commercial accounts and an unspecified fuel surcharge

The contracts for franchisees (i.e. residential and commercial collection) allows the franchisee(s) to petition the County for an extraordinary rate adjustment “on the basis of extraordinary and unusual changes in the cost of operations that could not reasonably be foreseen by a prudent operator.” And provides that the County respond with approval or denial within 60 days. The haul out and disposal contract has an identical provision (3.12).

The franchisees’ contracts also have a provision for the BOCC to amend the contract to allow a fuel surcharge on commercial accounts provided that the price of diesel fuel has increased a minimum of 10% above the diesel fuel price on a specifically named index in effect at the date of execution of the contract (May 21, 2014). The index fuel price on that date was \$3.943/gal (chart available in backup).

All contracts have a provision for CPI adjustments on October 1, 2022 notwithstanding any changes made in response to this request. The CPI used in these contracts is the MIA-FLL February 2021 to

February 2022 index for all goods (not seasonally adjusted) which was 9.8%. These CPI adjustments are capped at 2.5% for the residential collection fees, at 5% for the commercial collection fees, and the haul out and disposal increase is capped at 2.5%.

PREVIOUS RELEVANT BOCC ACTION:

18 AUG 2021 BOCC adopts Resolution 269-2021 setting commercial collection rates for FY22 with average increases of WMI (20%), MGS (5.5%) and KSS (8.2%) and making them the same across the Franchisees.

CONTRACT/AGREEMENT CHANGES:

Yes

STAFF RECOMMENDATION: Discussion

DOCUMENTATION:

2022-05-18 MGS Rate Increase request
 2022-05-20 KSS request for Rate increase
 2022-05-20 WMI Rate increase Request
 Compare Exist w Requested
 2021-12-31_MGSFinancialReport
 2021-12-31 KSS Audit extract
 2021-12-31 WMI audit (see page8)
 Diesel Fuel Charts

FINANCIAL IMPACT:

Effective Date: N/A

Expiration Date: N/A

Total Dollar Value of Contract: N/A

Total Cost to County: N/A

Current Year Portion:

Budgeted: No

Source of Funds:

CPI:

Indirect Costs:

Estimated Ongoing Costs Not Included in above dollar amounts:

Revenue Producing: NO If yes, amount:

Grant:

County Match:

Insurance Required:

Additional Details: N/A

N/A

REVIEWED BY:

Kevin Wilson	Completed	06/06/2022 4:14 PM
Christine Limbert	Completed	06/07/2022 9:09 AM
Cheryl Sullivan	Skipped	06/07/2022 10:28 AM
Purchasing	Skipped	06/06/2022 4:13 PM
Budget and Finance	Completed	06/07/2022 10:49 AM
Maria Slavik	Skipped	06/06/2022 4:14 PM
Lindsey Ballard	Completed	06/07/2022 11:50 AM
Board of County Commissioners	Pending	06/15/2022 9:00 AM



Marathon Garbage Service
 4290 Overseas Highway
 Marathon, Florida 33050
 Phone: (305) 743-5165 ♦ Fax: 743-0799
Office@MarathonGarbageService.com

May 18, 2022

Cheryl Sullivan
 Director of Monroe County Solid Waste
 Monroe County

Kevin G. Wilson, P.E.
 Assistant County Administrator
 Monroe County

Diesel Fuel Surcharge and Extraordinary Rate Adjustment

Monroe County has experienced extreme changes in recent years that have not be addressed in normal CPI. The Coronavirus-19 pandemic created a new normal, an increases in solid waste across all facets that is not going to change. When lockdown mandates were enforced, residential collection reached an all-time high. When travel was once again permitted, commercial accounts required larger services without a substantial decrease in residential services due to people continuing to work from home. The state of the housing market has made working personnel travel farther. Most employees at Marathon Garbage Service, Inc travel from the Homestead area. In addition to the housing crisis, fuel costs have risen with no true end in sight attributing to the labor shortage in Monroe County. Expenses are rising and continue to do so, and the CPI has not been able to account for the increase in costs.

To determine the percentage change of the average price of diesel, data from the Lower Atlantic (PADD 1C) was collected. During the current contract cycle, the average price of diesel was \$2.836 (Figure 1). This is a 28% increase in diesel fuel pricing. Given the financial report previously provided, in addition to the data provided in Figure 2, fuel costs have increased by 41% for the first 4 months of the year. In addition to fuel, increased labor costs to perform the same routes and schedules is taken into consideration. Figure 3 provides a yearly summary for labor costs from 2018 through the current year during the first four months of each year to highlight what we are currently experiencing. Labor costs have increased by 14% based on an average from before the pandemic (Figure 3). We are petitioning in addition to a fuel surcharge, an extraordinary rate increase of \$2.45 due to an increase in labor and fuel expenses. This would bring our collection to \$21.31 per unit. This percentage increase applied to the collection fee for commercial customers would be \$7.35 per yard unit per month. (Ex. 1 yard 1 time service per week pays additional \$7.35 per month).

Attachment: 2022-05-18 MGS Rate Increase request (Request for Solid Waste Extraordinary rate increases)

Last year, meetings with county administration concluded by normalizing commercial rates effective October 2021. Due to the budget cycle closing before agenda items could come to fruition, residential rates were not normalized throughout the county stating they would be normalized this year (2022). Marathon Garbage Service, Inc has been impacted more so due to our lower residential collection. We are experiencing a new normal in Monroe County regarding service levels, labor shortages and increased fuel costs. This request is asked for beyond normal CPI implemented changes.

We thank you for your consideration.

Sincerely,



Ronald G Konrath
President

Marathon Garbage Service, Inc.
4290 Overseas Hwy. Marathon, FL 33050
305-743-5165 (O) 305-743-0799 (F)



Figures.

Month	2014	2015	2016	2017	2018	2019	2020	2021	2022
April		2.231	2.448	2.786	3.025	2.93	2.493	3.515	5.058
March		2.39	2.366	2.786	3.176	2.917	2.336	3.611	5.11
February		2.431	2.369	2.724	3.233	2.921	2.322	3.512	3.99
January		2.461	2.323	2.748	3.129	2.908	2.348	3.26	3.622
December	3.303	2.568	2.278	2.522	3.089	2.898	2.37	3.213	
November	3.485	2.768	2.334	2.427	3.101	2.937	2.382	3.21	
October	3.615	2.842	2.364	2.443	3.13	2.978	2.363	3.178	
September		2.866	2.268	2.498	3.133	3.034	2.353	3.091	
August		2.784	2.113	2.516	2.989	3.019	2.443	2.998	
July		2.857	2.052	2.506	2.88	2.986	2.634	3.043	
June		2.836	1.957	2.52	2.95	2.907	2.813	2.784	
May		2.984	2.085	2.514	2.91	2.9	2.962	2.604	

Figure 1. Average Price of Fuel by Month during Contract Period \$2.836.

Year	Fuel Total Jan. – Apr.
2021	\$63,723.51
2022	\$89,822.89

Figure 2. Increase in Fuel Costs Last Year Compared to this Year.

Year	Labor Total Jan. - Apr
2018	\$463,745.98
2019	\$470,659.92
2020	\$495,566.96
2021	\$519,518.38
2022	\$528,757.63

Figure 3. Total Wages for January through April from 2018 to current.

Cheryl Sullivan

May 20, 2022

Solid Waste Director Monroe County

1100 Simonton St.

Key West FL. 33040

Hello Cheryl.

Regarding the meeting May 17th please see the attached page we used to determine our requested rate increase as a percentage of the monthly rate for residential and commercial services.

While all costs have sky rocketed the 2 major cost increases the fast few years are for fuel and labor. Of our current rate of \$18.93 fuel increased to 8.83% and labor to 3.82% for a total of 12.65%, converted to a dollar amount this equals a \$2.39 increase to a total of \$21.32

I realize these are exceptional circumstances but unfortunately the CPI's every 2 years has not kept up with soaring operating costs and inflation.

Thank you very much for your time and consideration of this request.

Sincerely,

John "Todd" Carter

President

Attachment: 2022-05-20 KSS request for Rate increase (Request for Solid Waste Extraordinary rate increases)



Cheryl Sullivan

May 20, 2022

Solid Waste Director Monroe County

1100 Simonton St Key West Fl, 33040

**WASTE MANAGEMENT OF
THE FLORIDA KEYS, INC.**

125 Toppino Industrial Dr.
Rockland Key, FL 33040
(305) 296-8297
(305) 296-8175 Fax

As we discussed in our meeting May 17th we are in challenging times with prices of rents and homes at rates never seen. Fuel at all time highs and a shrinking work force. Unlike other businesses that can raise rates or delay services as your partner we need you to increase our rates. We also do not have the luxury to put off routes. To keep staff, we have increased hourly pay and increased monthly housing allowance from \$500 per month to \$750 per month for all employees.

For the collection contract (residential and commercial service only) please refer to the attached calculator we used to determine our requested rate increase, as a percentage of the monthly rate. Due to the two major cost increases we have incurred over the past years. This is also supported by the Audit we submitted earlier. Of the current rate of \$19.97 Fuel increase equated to 2.90% and Labor to 6.85% for a total of 9.75%, put into a dollar figure of \$1.95 per month increase for a total of \$21.92. The CPIs on every two-year basis have not kept up with inflation and operating expenses.

For the haul out contract with transportation being a major component hauling approximately 4067 loads per year we request an increase of \$4.06 per ton (both residential and commercial).

This request does not include the CPI's that would normally be calculated.

Thank you for considering this request.

Respectfully

Greg Sullivan

Sr. District Manager

Attachment: 2022-05-20 WMI Rate increase Request (Request for Solid Waste Extraordinary rate increases)


**WASTE MANAGEMENT OF
THE FLORIDA KEYS, INC.**

125 Toppino Industrial Dr.
Rockland Key, FL 33040
(305) 296-8297
(305) 296-8175 Fax

Jurisdiction / Contract / Franchise
Monroe County
Business Unit
01098 WM of the Florida Keys
Time Periods
**Current Period
Prior Period**
**YTD Apr, 2022
YTD Apr, 2021**
Monthly Rate
Per Home / Account
\$
19.97
Cost Increase %
Labor
6.85%
Fuel
2.90%
Total
9.75%
Monthly Increase Amount
\$
1.95
New Monthly Rate
\$
21.92

Attachment: 2022-05-20 WMI Rate increase Request (Request for Solid Waste Extraordinary rate increases)

Comparison of Requested Rates with Existing Rates

	Units	Current Rate	Requested Rate	% Change
Waste Management				
Residential collection	per household	\$19.97	\$21.92	9.76%
Residential Haul out & Disposal	per ton	\$92.02	\$96.08	4.41%
Commercial Haul out & Disposal	per ton	\$99.31	\$103.37	4.09%
Marathon				
Residential collection	per household	\$18.86	\$21.31	12.99%
Key Sanitary				
Residential collection	per household	\$18.93	\$21.32	12.63%
Ocean Reef				
Residential collection	per household	\$17.65	\$17.65	0.00%
Notes				
Haul out and disposal costs must also be applied to Islamorada special rate for Advanced				

Attachment: Compare Exist w Requested (Request for Solid Waste Extraordinary rate increases)



Cruz Morato & Associates

Certified Public Accountant & Consultants

To Management
Marathon Garbage Service, Inc.
Marathon, Florida

Management is responsible for the accompanying financial statements of Marathon Garbage Service, Inc. (a corporation), which comprise the balance sheet as of December 31, 2021, and the related statement of income for the year then ended, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

A statement of cash flows for the year ended December 31, 2021, has not been presented. Accounting principles generally accepted in the United States of America require that such a statement be presented when financial statements purport to present financial position and results of operations.

Management has elected to omit all the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Cruz Morato & Associates

Marathon, Florida

May 5, 2022

5800 Overseas Highway, Suite 17
Marathon, Florida 33050

(305) 743 - 4599 phone
(305) 743 - 7044 fax

Attachment: 2021-12-31_MGSFinancialReport (Request for Solid Waste Extraordinary rate increases)

MARATHON GARBAGE SERVICE, INC.
Balance Sheet

	<u>Dec 31, 21</u>
ASSETS	
Current Assets	
Checking/Savings	346,399.20
Other Current Assets	10,346.42
Total Current Assets	356,745.62
Fixed Assets	29,197.92
Other Assets	1,070.00
TOTAL ASSETS	<u>387,013.54</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	78,507.73
Long Term Liabilities	76,090.13
Total Liabilities	154,597.86
Equity	
Additional Paid in Capital	3,805.36
Capital Stock	10,000.00
Retained Earnings	1,257,102.11
Shareholder Distributions	(769,140.48)
Treasury Stock	(650,000.00)
Net Income	380,648.69
Total Equity	232,415.68
TOTAL LIABILITIES & EQUITY	<u>387,013.54</u>

Attachment: 2021-12-31_MGSFinancialReport (Request for Solid Waste Extraordinary rate increases)

MARATHON GARBAGE SERVICE, INC.
Statement of Income

	<u>Jan - Dec 21</u>
Ordinary Income/Expense	
Income	5,361,524.62
Expense	
Advertising and Promotion	2,346.97
Advertising	13,498.87
Automobile Expense	49,245.61
Bank Service Charges	15,440.30
C&D Disposal	81,140.93
Computer and Internet Expenses	16,468.62
Contributions	3,025.00
Depreciation Expense	374,324.16
Dues and Subscriptions	5,681.25
Dump Fees	130,070.05
Disposal Fees	1,273,033.71
Employee Expense	5,344.98
Equipment Rental	64,680.72
Franchise Fees	166,705.99
Fuel and Oil	199,640.07
Insurance	258,412.40
Interest Expense	4,554.64
Licenses, Tags & Taxes	14,192.53
Meals and Entertainment	7,793.40
Miscellaneous	280.00
Office Supplies	7,928.11
Outside Services	3,698.00
Promotion	9,297.87
Postage	3,933.60
Payroll Expenses	1,717,049.90
Professional Fees	9,177.45
Rent	193,474.70
Repairs	25,998.74
Supplies	33,848.28
Taxes	18,075.94
Telephone	17,524.72
Tools	627.62
Travel & Entertainment	4,847.16
Repairs and Maintenance	538,223.26
Travel Expense	1,118.92
Uniforms	11,711.56

Attachment: 2021-12-31_MGSFinancialReport (Request for Solid Waste Extraordinary rate increases)

MARATHON GARBAGE SERVICE, INC.
Statement of Income

	<u>Jan - Dec 21</u>
Utilities	14,871.35
Total Expense	<u>5,297,287.38</u>
Net Ordinary Income	64,237.24
Other Income/Expense	<u>316,411.45</u>
Net Income	<u><u>380,648.69</u></u>

TED CARTER ENTERPRISES, INC.
d/b/a Keys Sanitary Service
Supplementary Information: Schedule I
Schedule of Administrative and Administrative Expenses
For the Year Ended December 31, 2021

	Commercial	Residential	Total
Accounting	\$ 5,035	\$ 8,685	\$ 13,720
Bad debts	3,653	6,302	9,955
Contract labor	6,775	11,685	18,460
Depreciation - containers	73,504	24,501	98,005
Depreciation - equipment	2,284	3,940	6,224
Depreciation - facilities	1,322	2,281	3,603
Depreciation - office equipment	1,496	2,581	4,077
Depreciation - vehicle	88,027	145,077	233,104
Disposal fee	1,620,547	-	1,620,547
Donations	3,248	5,602	8,850
Dues and subscriptions	869	1,500	2,369
Employees' insurance - group	52,972	91,367	144,339
Employees' miscellaneous expense	7,837	13,516	21,353
Employees' payroll taxes	36,758	63,399	100,157
Employees' wages	512,177	883,400	1,395,577
Franchise fees - county	71,413	123,173	194,586
Fuel	65,845	113,569	179,414
Insurance - general	21,245	36,643	57,888
Legal	813	1,402	2,215
Office expense	7,257	12,517	19,774
Office insurance - group	12,633	21,789	34,422
Office payroll taxes	8,088	13,949	22,037
Office salaries	103,388	178,322	281,710
Other operating costs	7,063	12,183	19,246
Profit sharing plan administration	670	1,155	1,825
Postage and freight	1,168	2,013	3,181
Repairs, parts and maintenance	70,457	121,523	191,980
Shop supplies	15,829	27,302	43,131
Supplies - other	4,368	7,535	11,903
Taxes and licenses	6,471	11,162	17,633
Telephone	4,566	7,876	12,442
Tires and tubes	45,008	77,629	122,637
Travel, entertainment and promotion	1,864	3,215	5,079
Uniforms	5,384	9,285	14,669
Utilities	1,762	3,040	4,802
Vehicle insurance	43,750	75,461	119,211
Vehicle license, tag and tax	5,378	9,276	14,654
Total general and administrative expenses	<u>\$ 2,920,924</u>	<u>\$ 2,133,855</u>	<u>\$ 5,054,779</u>

Attachment: 2021-12-31 KSS Audit extract (Request for Solid Waste Extraordinary rate increases)

TED CARTER ENTERPRISES, INC.
D/B/A Keys Sanitary Service
Statement of Income and Retained Earnings
For the Year Ended December 31, 2021

Revenues:

Garbage fees, commercial - solid waste	\$ 2,874,767
Garbage fees, residential - solid waste	1,936,335
Garbage fees, commercial - recycle	443,669
Garbage fees, residential - recycle	<u>574,201</u>

Total revenues \$ 5,828,972

General and administrative expenses 5,054,779

Income from operations 774,193

Other income (expense):

SBA PPP loan forgiveness	319,667
Interest income	3,642
Late charges	4,293
Miscellaneous income	723
Loss on disposal of equipment	<u>(2,286)</u>

Total other income 326,039

Net income 1,100,232

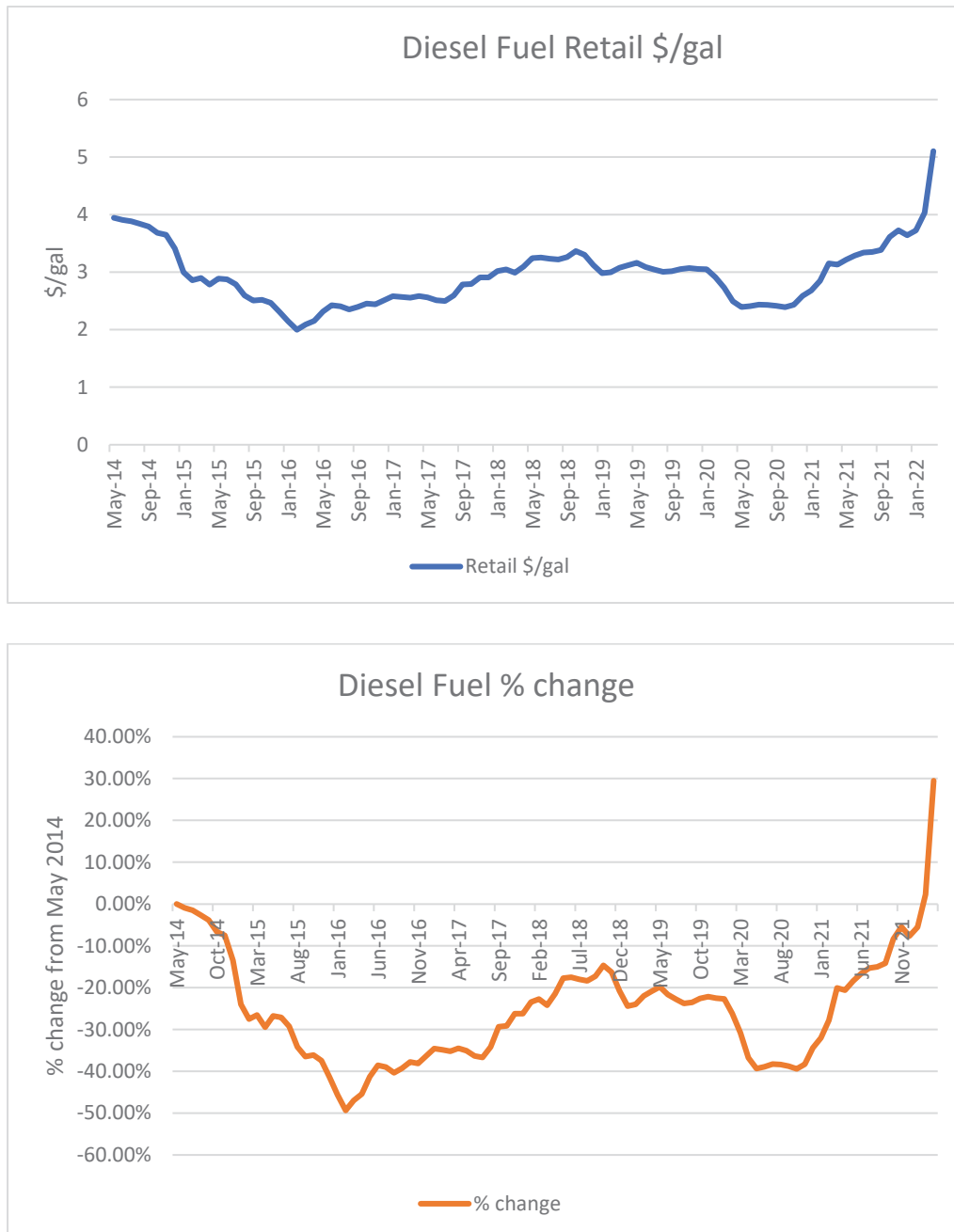
Retained earnings, beginning of year 3,916,002

Distributions (864,411)

Retained earnings, end of year \$ 4,151,823

See accompanying notes and accountants' compilation report.

Comparison of Diesel fuel EIA/DOE Lower Atlantic area Base is May 2014 (contract inception)



Per the contract, the commercial fuel surcharge is triggered only when the fuel price exceeds the EIA/DOE Lower Atlantic price per gallon at the time of execution of the contract (May 2014). There is no provision for a fuel surcharge on other than commercial accounts.