



THE CITY OF KEY WEST

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MEMORANDUM

TO: Bogdan Vitas, City Manager

Cc: Mark Finigan, Asst. City Manager
E. David Fernandez, Asst. City Manager-Operations

FROM: Jay Gewin, Utilities Manager

DATE: July 16, 2013

SUBJECT: **Authorizing a \$319.05 Annual Solid Waste Residential User Fee Charge for the City's Initial Stormwater Assessment Resolution for FY 2014, and Authorizing a \$165.90 Per Ton Solid Waste Tipping Fee.**

Action statement:

This is the Initial Solid Waste Assessment Resolution that is required in the process of shifting the billing for the solid waste utility to a non-ad velorum assessment on the property tax bill. It will represent a 2% decrease that will establish annual service charge at \$319.05 annually. The tipping fee for solid waste would also decrease 2% to \$165.90 per ton.

Background:

The City of Key West has struggled with excessive past-due accounts for our solid waste utility. While the total sum of delinquencies is now decreasing over last year, there is still a significant amount of funds that need to be collected by the City.

To remedy this situation, and to improve our collection rate going forward, the City Commission has authorized moving the City's solid waste monthly utility billings to a non-ad valorem assessment on the property tax roll. (Ordinance 13-10) The Monroe County Tax Collector is supportive of this plan, and will work with the City to implement the transition.

State statute dictates that the City has to follow a detailed set of procedures in order to move the billing to the property tax roll. Some of these have already been completed, including a notice of intent (Resolution 12-318), and the change in our ordinances (Ordinance 13-10). The City Commission has also approved an interlocal agreement with the Monroe County Property Appraiser's Office relating to the annual utility billing assessment. (Resolution

Key to the Caribbean – Average yearly temperature 77° F.

13-094)

The City Commission also establishes the solid waste rates for our residents each fiscal year. Staff and our financial rate consultant with CDM Smith have analyzed in detail the solid waste utility financials, and determined that a 2% rate cut for our residents is possible at this time. Businesses will also see a rate reduction through a 2% decrease in tipping fees.

Purpose and Justification:

In setting the FY 2014 budget, the City plans on accomplishing the following goals:

- Fund our solid waste and recycling curbside collection, and the MSW hauling service from the Transfer Station.
- Continue implementation of our new Solid Waste Master Plan to improve our City's recycling rate and better manage our utility.
- Continued maintenance of the City's landfill and successful operation of the City's Transfer Station
- Staffing (City and Waste Management) and equipment to ensure a safe and effective level of service.

After the initial assessment notice is approved, notices will be sent to by mail to Key West property owners. These notices will inform the public of the imminent shift in billing to the property tax that will begin arriving in November. They will also include a forecast or "TRIM"-type notice for future rates over the next five years. The City could exceed these rates only if approved by the Commission, and if notices were re-sent by mail to all those paying the user fee. The annual rates that will be included on these notices will be:

FY 2014 - \$319.05
FY 2015 - \$329.67
FY 2016 - \$340.65
FY 2017 - \$351.99
FY 2018 - \$363.72

An initial assessment notice must be approved at the August 6th City Commission meeting in order to meet the schedule set by state statute to move the utility billing to the property tax roll for FY 2014. This is because the initial assessment notice will state that a public hearing for final approval will be held at the September 5th City Commission meeting.

There is a specified number of days by statute between the initial assessment and the final assessment resolution. The August 6th (initial assessment) and September 5th (final approval) schedule is the how we can accomplish moving the utility billing to the property tax roll within state statute without scheduling a special City Commission meeting for just this topic.

Options:

- 1) The City may choose to maintain the solid waste budget at current levels. This option is not recommended by City Staff or our rate consultants because we believe that our current fund balance can enable us to lower the annual user fees for our ratepayers.
- 2) The City can approve a \$319.05 annual residential solid waste rate fee, and a \$165.90 tipping fee rate per ton of solid waste for commercial. This would be 2.00% decrease for FY 2014.

Whichever rates the City Commission selects will need to be approved at the August 6th City Commission meeting, or the move of utility billing to the property tax roll will have to be delayed until FY 2015 and the City would have to incur costs of mailing monthly bills for another year.

Another advantage of moving the utility billing to the property tax roll is that residents will now have the opportunity to receive a discount on their utility user fees through early payment of property taxes.

Financial Impact:

The financial impact of this proposed increase would be as follows:

	FY 2013 Budget (current)	Proposed FY 2014 Budget	Decrease	% Decrease
Residential Rate (Hauling and Disposal)	\$27.14 (per month) \$325.68(per year)	\$319.05(per year)	\$6.63/yr.	2.0%
Rate per Ton for Commercial and Navy	\$169.29/per ton	\$165.90/per ton	\$3.39/per ton	2.0%

Recommendation:

Staff recommends option #2, approving an initial rate assessment that decreases the solid waste residential rates by 2% to a new total of \$319.05 annually with a solid waste tipping fee of \$165.90 per ton.