



THE CITY OF KEY WEST

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MEMORANDUM

TO: Bob Vitas, City Manager

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

FROM: Jay Gewin, Utilities Manager

DATE: August 14, 2012

SUBJECT: **Authorizing a \$27.13 Residential Monthly Solid Waste Billing Rate, and a \$169.29 Tipping Fee Rate per Ton of Solid Waste for Commercial Properties and the US Navy for FY 2013**

Action statement:

This ordinance will authorize a 2.0% increase in the average monthly solid waste bill and commercial tipping fee. The fees for residential solid waste removal include both hauling and disposal.

Background:

The City Commission establishes the solid waste rates for our residents and businesses each fiscal year. If there is an increase greater than the Consumer Price Index (CPI), then approval must come in the form of an ordinance. With the slowing economy lowering the CPI, a 2% rate increase will require an ordinance for FY 2013.

In order to effectively fund our solid waste removal program, the City has established a long-term operations plan and a new Solid Waste Master Plan. The City has planned sufficient staffing to operate our new transfer station.

Purpose and Justification:

In setting the FY 2013 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.
- Begin implementation of our new Solid Waste Master Plan to develop a plan to improve our City's recycling rate and better manage our utility.

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

- Funding the demolition of the old transfer station/waste-to-energy facility on Stock Island to allow for the construction of the new transit facility.
- Staffing (City and Waste Management) and equipment to ensure a safe and effective level of service.

At its last budget workshop, the City Commission directed staff to increase rates 2% in the solid waste budget. Staff had recommended no rate increase, however the City Commission had recommended a percentage increase near the rate of CPI so that fund balance would remain consistent considering the increased future costs due to inflation.

The City Commission did not authorize an increase in Solid Waste rates for FY 2012. Our utility’s goal is to ensure compliance with the City’s fund balance policy for the solid waste budget over a 20 year period. The City will incur increased costs for services from Waste Management this year that are equal to 75% of the CPI (mandated by contract).

Options:

- 1) The City may choose to maintain the solid waste budget at current levels. This option is was recommended by City Staff, however the City Commission at the recent workshop recommended a 2% increase so that fund balance could remain on par with CPI.
- 2) The City can approve a \$27.13 residential monthly solid waste rate, and a \$169.29 tipping fee rate per ton of solid waste for commercial. This would be 2.00% increase for FY 2013.

Financial Impact:

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

	FY 2012 Budget	Proposed FY 2013 Budget	Increase	% Increase
Residential Rate (Hauling and Disposal)	\$26.60 (per month)	\$27.13 (per month)	\$0.53/mo.	2.00%
	\$319.17 (per year)	\$325.56 (per year)	\$6.36/year	
Rate per Ton for Commercial and Navy	\$165.97/per ton	\$169.29/per ton	\$3.32/per ton	2.00%

A rate increase of 2% will represent approximately \$180,000 in additional revenue to the utility compared with no rate increase.

Recommendation:

Staff recommends option #1, maintaining solid waste user fees at current levels.