




MEMORANDUM

Date: July 13, 2023

To: Honorable Mayor and Commissioners

Via: Albert P. Childress
City Manager 

From: Kelly Crowe, P.E.
Utilities Director

Subject: **Authorizing a Budget Amendment for Solid Waste Operations Accounts in Fiscal Year 2023 Exceeding \$50,000.00**

Introduction

Authorizing a budget amendment to the Fiscal Year 2023 (FY 23) solid waste commercial fund in the amount of \$625,000. The Solid Waste Fund has experienced a significant increase in hauling expenditures in FY 23 but has experienced greater than expected revenue from commercial disposal to offset the additional costs.

Background

The City's Utility department creates annual rate models and budgets that are approved by the City Commission. The models are used to propose any new rate adjustments. In order to evaluate the rates, staff forecasts both revenues and expenditures based on the totals from previous years along with assumed increases in those totals. Staff is typically conservative in the forecasting revenues and expenditures to avoid shortfalls in the expenditure accounts and mitigate the need to transfer funds from reserves. In FY 23, the city experienced an increase in both revenue and expenditures above what was originally forecast.

Waste Management (WM) is the City of Key West's contract waste collector and hauler. The original contract was authorized per Resolution 14-134. Each year, staff reviews the contract and forecasts service costs for the next fiscal year. The contract cost for hauling and disposal services is based on actual tonnages hauled. In addition, the rate per ton is adjusted each quarter in accordance with the contract. Furthermore, a portion of the rate is based on fuel costs. Fuel prices have continued to increase within the past six (6) months which has caused our initial budget estimates to be well below of the projected end of

year actual costs. Fuel costs are significant considering our waste is hauled from the Rockland Key Transfer Station to Pembroke Pines which is nearly 150 miles away.

Per Resolution 23-040, WM was granted a \$4.00/ton increase in haul out cost. A budget transfer of \$134,400 was authorized. This increase only covered the costs of the one-time rate increase granted per the resolution. An additional amendment of \$625,000 is required to cover the haul out costs for the remainder of the year. Conversely, commercial account revenue has exceeded the FY 23 budgeted amount. The projected revenues from commercial disposal are expected to exceed \$625,000 and will offset the additional haul out costs. There will not be an added cost to the rate payer for this item.

Procurement

The total amount of the budget amendment is \$ 625,000. Budget amendments in excess of \$50,000 require City Commission approval per City of Key West Municipal Code Section 2-739(b). The amendment does require the transfer of funds from reserves.

The budget amendment of \$625,000 will amend the funds in the following accounts:

- Solid Waste-Commercial (**Revenue Increase**) 403-0000-343-4600: \$625,000
- Hauling/Contractual Services (Expenditure) 403-3405-534-3400: \$625,000

Recommendation

The City Manager's Office recommends approving a budget amendment in the amount of \$625,000 and authorizing budget transfers to Hauling/Contractual Services accounts for Fiscal Year 2023.