



## AGENDA MEMORANDUM

*Utilities Department*

Regular Meeting Date: November 4, 2020

**To:** City Council  
**From:** Robert Middleton, Utilities Director  
**Date:** October 13, 2020

---

**SUBJECT:**

2020 Solid Waste Rate Study

**SUMMARY:**

City Council to receive the final draft of the Solid Waste Rate Study and provide recommendations and consensus to proceed with increasing Solid Waste rates accordingly in order to ensure an adequate fund balance for the Solid Waste Fund.

For reference, a copy of the Agenda Memorandum from the June 15, 2020 City Council meeting has been included for additional detail.

**BACKGROUND:**

The purpose of this item is to review a final draft of the Solid Waste Rate Study prepared by Kessler Consulting, Inc. (KCI) so that City Council can provide staff recommendations and consensus to proceed with increasing Solid Waste service rates accordingly. KCI was contracted by the City to provide an update to the original Solid Waste Rate Study that was prepared in 2017. The scope of services for the rate study update included an evaluation of the current rate structure in comparison to the current cost of services, while determining methods to ensure an adequate fund balance for the Solid Waste Fund.

On June 15, 2020, staff provided a status update on the 2020 Solid Waste Rate Study to City Council. At that time, the update did not include:

1. Accurate costs for the hauling of recycle material to a processing facility.
2. Accurate costs for the processing of the recycle material.
3. Accurate costs for horticulture collection and disposal operations.

Since the time that the status update was presented to City Council on June 15, 2020, staff has secured accurate cost estimates for two of the three items listed above.

During the month of October 2020, staff finalized negotiations with Single Stream Recyclers (SSR) of Sarasota, Florida for a contract to process the City's recycle material. The negotiated contract is being recommended for City Council consideration and approval following the Rate Study presentation scheduled on November 4, 2020. Considering several factors that include the current market conditions for recycle material, the processing rates that have been negotiated, and the volume of material that is anticipated to be generated during FY 2020-21, annual processing costs are calculated to be \$185,600 (3,200 tons x \$58/ton). At this time,

*Ethics above all else... Service to others before self... Quality in all that we do.*

accurate costs for the hauling of recycle material to SSR has not been determined. Staff will publicly bid the hauling services upon City Council's approval of the processing contract. The FY 2020-21 budget does include funding for the hauling of recycle material to a processing facility at a higher than average estimated cost. The difference in staff's hauling cost estimates in comparison to anticipated/actual hauling costs are not expected to adversely impact the Rate Study.

On June 17, 2020, City Council approved an amendment to the 2010 Interlocal Agreement with Lee County Public Utilities for the processing of recyclable material from City residential customers through March 31, 2021. The Lee County Board of County Commissioners also approved this extension to the agreement on August 4, 2020. This amendment will continue to provide ample time to allow City staff to publicly bid the hauling services that will be necessary for transporting the City's recycle material to SSR.

On August 17, 2020 during the FY 2020-21 Budget Workshop, City Council provided consensus for staff to proceed with devising a plan to assume horticulture collection and disposal operations with in-house resources to secure an annual estimated cost savings of \$200,000 (in comparison to previous year's operational cost). As part of the plan, staff successfully negotiated and secured an annual contract for the disposal of the collected horticulture debris; City Council approved the disposal contract on September 16, 2020. City staff assumed actual horticulture collection services on October 1, 2020. To date, the City's "in-house" horticulture collection and disposal operations are performing at an exceptional level of service, in which residents have not experienced any delays or disruptions resulting from the operational change.

The final draft of the Rate Study being presented has been updated to reflect accurate cost estimates for the recycle material processing and operational cost reductions associated with the changes in horticulture collection and disposal services. In addition, the Rate Study has also been revised to include the following changes per City Council's request:

1. Duplexes to pay the same rates as single-family customers.
2. Annual CPI rate increases of 2% to be applied to commercial customers in the same manner that increases are being recommended to the single-family and multi-family customers to help off-set the cost of recycling operation.
3. Provisions made within the Rate Study to demonstrate revenues by customer class.

The 2020 Solid Waste Rate Study Update includes three (3) scenarios for City Council's consideration that are intended to meet the minimum fund balance requirements while establishing rates based on the costs of services:

- Scenario 1 – Increase rates in the first year (FY 2021)
- Scenario 2 – Increase rates over two (2) years (FY 2021 and FY 2022)
- Scenario 3 – Increase rates over five (5) years (FY 2021 through FY 2025)

**MASTER PLAN/CAPITAL IMPROVEMENT PROJECT:**

Vision Goal: Maintain and Enhance Governance by maintaining a recycle collection and disposal program to reduce impacts to the County landfill.

**RECOMMENDED ACTION:**

City Council to provide recommendations and consensus to proceed with increasing Solid Waste rates in accordance with one (1) of the three (3) scenarios presented in order to ensure an adequate fund balance for the Solid Waste Fund.