



# City of Pensacola

222 West Main Street  
Pensacola, FL 32502

## Memorandum

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**File #:** 11-17

City Council

5/11/2017

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### **LEGISLATIVE ACTION ITEM**

**SPONSOR:** Ashton J. Hayward, III, Mayor

**SUBJECT:**

PROPOSED ORDINANCE NO. 11-17 - AMENDMENT TO SECTION 4-3-97, PROVIDING SANITATION COLLECTION FEE AND CREATING A SANITATION EQUIPMENT SURCHARGE.

**RECOMMENDATION:**

That City Council adopt Proposed Ordinance No. 11-17 on second reading.

AN ORDINANCE AMENDING SECTION 4-3-97 OF THE CODE OF THE CITY OF PENSACOLA, FLORIDA; PROVIDING FOR INCREASE IN SANITATION FEES; PROVIDING FOR SANITATION EQUIPMENT SURCHARGE; PROVIDING FOR SEVERABILITY; REPEALING CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

**HEARING REQUIRED:** No Hearing Required

**SUMMARY:**

The City of Pensacola recently contracted SCS Engineers to conduct a sanitation rate study to determine whether the cost of providing sanitation services is in balance with the rates currently being charged for performing those services. As a result of the study, a recommendation is made to City Council that the collection fees be adjusted and that a sanitation equipment surcharge be implemented which, like the collection fees, would be adjusted annually based on changes in the Consumer Price Index (CPI).

SCS Engineers was first retained in 2007 to perform a solid waste analysis and rate study. At that time the sanitation rate was \$19.85 per month, a level where it had been since 2000. The final report by SCS included a recommendation that Council set the monthly rate at \$28.16 and implement a fuel surcharge to capture the actual cost of fuel based on usage. There was also a recommendation to adjust the rate annually according to changes in the CPI. The 2007 SCS study provided a list of cost savings options that required system changes to help control future rate increases and the majority of those options have been addressed. However, the option of creating a dedicated funding source for the replacement of sanitation vehicles was not possible with the \$22.20 Sanitation Rate that was adopted by Council in 2007.

Since the 2007 rate study the sanitation rate has been increased once, in FY 2012, to \$22.80 per month (a 2.7% increase). However, by FY 2017 the CPI increased by 15.1% during that time period, as indicated in the chart below. Had the initial sanitation rate kept pace with the CPI, as provided for in the ordinance, that rate would now be \$25.77 per month and the additional revenues would have totaled approximately \$3,936,000. If the CPI

adjustment been implemented each year, as provided for in the ordinance, the additional revenue due to the CPI adjustments would have provided for a more timely replacement of sanitation fleet vehicles.

## Sanitation Rate History

Fiscal Year	Actual Monthly Rate	CPI Increase or Decrease	Sanitation Rate If CPI Were Applied
2008	\$22.20		
2009	\$22.20	4.00%	\$23.09
2010	\$22.20	-0.40%	\$23.00
2011	\$22.20	2.30%	\$23.53
2012	\$22.80	2.70%	\$24.17
2013	\$22.80	2.70%	\$24.82
2014	\$22.80	1.50%	\$25.19
2015	\$22.80	1.50%	\$25.57
2016	\$22.80	-0.10%	\$25.54
2017	\$22.80	0.90%	\$25.77

In 2016 it became apparent that the current \$22.80 Sanitation Rate was not adequate to fully fund the collection system operation and provide funding for fleet replacement. Therefore, the City again contracted with SCS Engineers to perform a rate study as an update to the 2007 study. The latest SCS Engineers rate study recommends a \$1.26 increase in the Sanitation Rate for operational funding and the establishment of a Sanitation Equipment Surcharge of \$2.17 to fund sanitation fleet replacement. Over a ten year period, the equipment surcharge would fund the replacement of sanitation equipment valued at \$4,996,393. This surcharge would provide for timely sanitation fleet replacement and would help reduce, or at least stabilize, escalating maintenance costs associated with the current fleet of collection equipment.

The recommendation before City Council would set the Sanitation Rate at \$24.06 and implement a \$1.00 per month Sanitation Equipment Surcharge followed by an increase in that surcharge to \$2.00 the following year. Adjustments would be made annually based on changes in the CPI. The funds generated by the equipment surcharge would be placed into a restricted account for the purpose of purchasing sanitation vehicles and equipment.

Lastly, it is important to note that the City frequently utilizes its fleet of yard trash collection trucks and the supporting fleet of transfer station tractor/trailers in response to major and minor natural disasters. This equipment is used to provide timely response to these situations which are generally not related to normal sanitation collection activity but are extraordinary in nature. Such is the case of the recent floods and tornado cleanups. Since this equipment is used for the betterment of the entire community, perhaps there is a way to fully fund the purchase of the Yard Trash and Transfer Station equipment through Local Option Sales Tax (LOST) funds. The ten year projected cost of replacing the Yard Trash trucks is \$1,175,705 and the Transfer Station equipment is \$770,371, or a total of \$1,946,076 combined. These fleet replacements represent approximately \$0.85 of the \$2.17 needed to fully fund the equipment replacement. Fully funding the Yard Trash and Transfer Station fleet through LOST funds would allow the Sanitation Equipment Surcharge to be set at \$1.32 per month to fund replacement of the remainder of the Sanitation fleet.

**PRIOR ACTION:**

March 22, 2007 - City Council adopted Ordinance #14-07 adjusting the sanitation rate to \$22.20 based on the rate study.

September 22, 2011 - City council adopted Ordinance #22-11 adjusting the sanitation rate to \$22.80 based on the change in the Consumer Price Index (CPI).

April 13, 2017 - City Council voted to approve Ordinance No. 11-17 on first reading.

**FUNDING:**

N/A

**FINANCIAL IMPACT:**

Approval of the proposed ordinance would set the sanitation rate at \$24.06 per month, a \$1.26 per month increase, and would implement a \$1.00 per month sanitation equipment surcharge effective June 1, 2017, upon adoption on second reading. The increase in the sanitation rate would generate approximately \$289,000 annually in additional operating revenue and the sanitation equipment surcharge would generate approximately \$229,500 annually for capital equipment expenditures. Additionally, approval of the proposed ordinance would increase the sanitation equipment surcharge by an additional \$1.00 per month on October 1, 2018 which would increase the annual revenue generated by the sanitation equipment surcharge to approximately \$459,000 annually.

**CITY ATTORNEY REVIEW:** Yes

3/24/2017

**STAFF CONTACT:**

Eric W. Olson, City Administrator

Richard Barker, Jr., Chief Financial Officer

Jerry Moore, Sanitation Services and Fleet Management Director

**ATTACHMENTS:**

- 1) Proposed Ordinance No. 11-17
- 2) Sanitation Rate Study Report

**PRESENTATION:** No