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COMMITTEE MEMORANDUM

TO: Members of the Finance & Citywide Projects Committee

FROM: Jimmy L. Morales, City Manager

DATE: July 26, 2019

SUBJECT: ZERO BASED BUDGET (ZBB) EXERCISE FOR SANITATION

BACKGROUND

During last year's budget process, the Administration presented to the Commission a series of potential rate increases (residential fee adjustment, recycling fee pass-through and a franchise fee increase on monthly gross receipts) to address the existing \$855,000 structural imbalance in the Sanitation Fund. The City Commission requested that the Administration perform a zero-based budget (ZBB) exercise for the Sanitation Division to identify multiple expenditure and revenue options to close the imbalance.

ZERO BASED BUDGET

Zero-based budgeting (ZBB) is a budgeting process that asks managers to build a budget from the ground up, starting at zero. The Administration first started with defining the Sanitation Division through the program budget: What do we do? Who do we do it for? Where do we do it? After the core programs have been identified, the determination of the costs which includes full time equivalent (FTE) and level of service (LOS). Revenues were matched with their corresponding expenditures producing the ZBB document.

The City of Miami Beach Public Works Department Sanitation Division employs 178 FTE to manage the following core programs:

- Residential Collection of Solid Waste
- Commercial Solid Waste (Franchise Waste Haulers)
- Debris Removal and Litter Control
- Street Sweeping
- Code enforcement/Illegal dumping/violations
- Recycling
- Roll-Offs
- Administrative functions that oversee these core programs

CORE PROGRAMS

Residential Collection of Solid Waste

The Public Works Sanitation Division manages the solid waste collection and disposal programs for residents and the Memorandum of Understanding (MOU) with Miami-Dade County for

curbside recycling. The City has contracted the residential trash services which currently provide for three (3) trucks to service the single-family homes with backyard service twice per week. It also provides for bulky waste curbside collection. The MOU with the County provides for the residential collection and processing of recycled materials. The contract cost, recycling fee, and city service fee appear on the monthly residential bill.

Commercial Solid Waste (Franchise Waste Haulers)

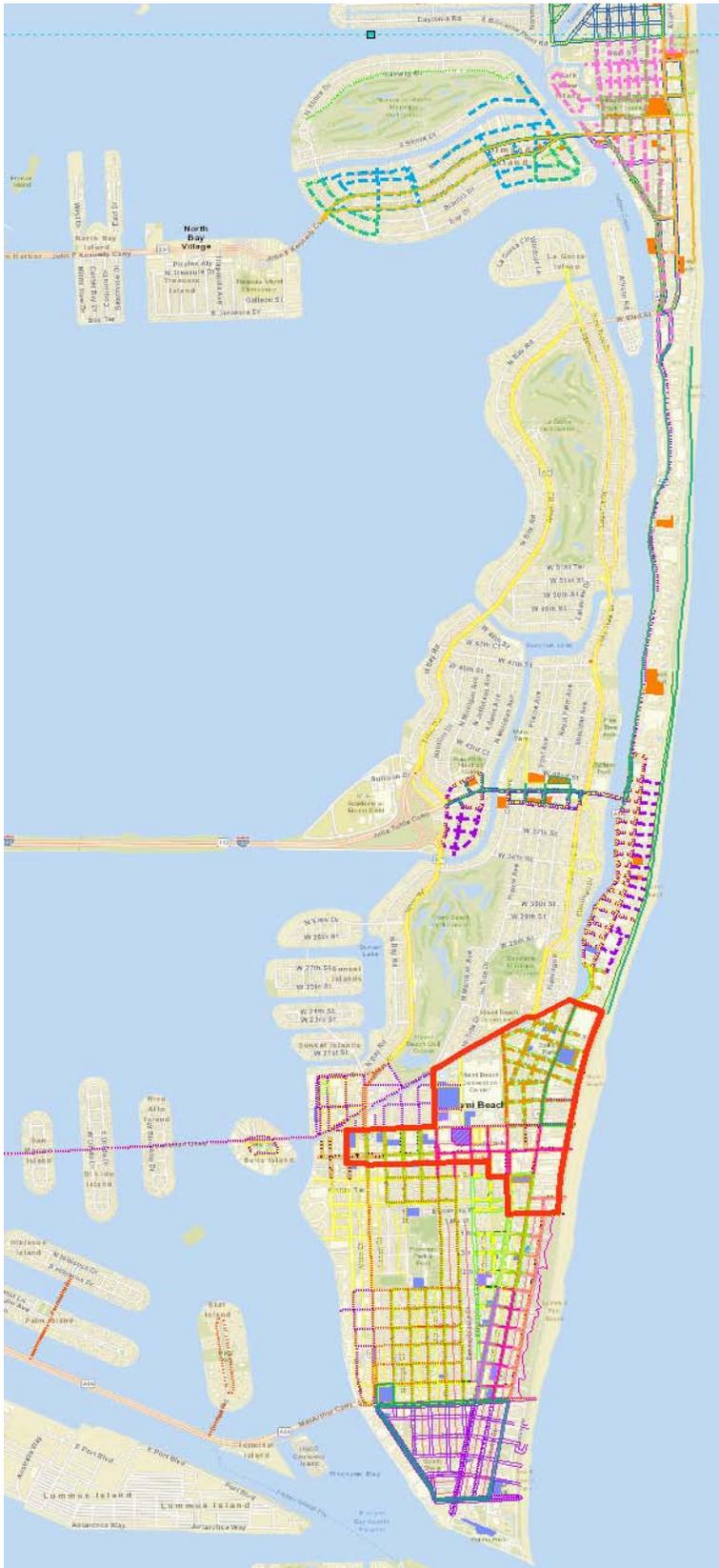
The City currently has two (2) contractors under a franchise agreement that provide waste services to commercial properties and multi-family homes greater than 8 units. In addition, these haulers collect trash/recycling from City owned facilities, empty trash cans and recycling containers along streets and parks citywide, support some special events, fund hazardous waste events, pay various sums to the City including 18% for the franchise fee, 1.5% for implementation of sustainable initiatives, \$400,000 to address illegal dumping, \$25,000 to support environmental programs, etc. Every commercial enterprise or multi-family unit can choose which entity to enter into a contract with and at what terms/costs. The 18% franchise fee totaled \$4.3 million as revenue collected in FY 18/19.

Code Enforcement/Illegal Dumping/Violations

This core program includes four (4) Code officers and two (2) heavy equipment operators with two (2) municipal workers involved in policing properties/individuals that choose to not properly dispose of refuse, also referred to as illegal dumping. Truck mounted cranes are used to assist Code officers with violations and picking up dumped materials. The debris collected from illegal dumping is transported and disposed of at the Miami Dade County landfill. If the Code officer can make a clear determination that the items were discarded from a specific address, an Illegal Dumping Fee is assessed to that individual or entity which helps defray the cost associated with the program. However, the Code officers cannot always make a clear determination of where the illegally dumped material has come from.

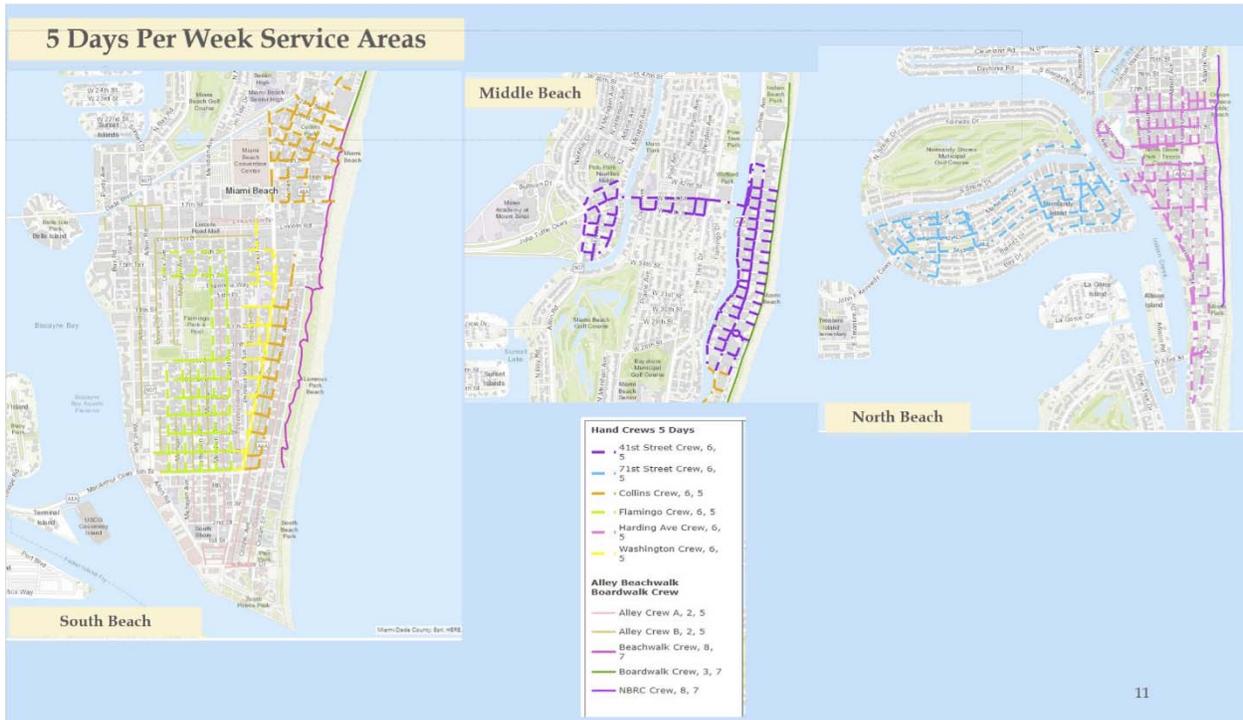
Debris Removal and Litter Control (Hand Crews)

This core program consists of litter control and debris removal from sidewalks and streets with crews consisting of five (5) to nine (9) employees on a five (5) or seven (7) day per week schedule. Personnel use brooms, pick-sticks, shovels, rakes and leaf blowers to accomplish the requirements of tasks. Crews report as early as 5:00 AM and the last daily shift ends at 10:30 PM, except during special events. Throughout the City, during these times, crews are constantly picking up litter, cigarettes butts, removing and changing garbage and recycling bags on street corners, collecting pond fronds and other organic debris from their designated areas. In addition, crews blow and sweep the swales, walkways, and storm drains as well as pressure washing mold, mildew, gum, dirt, organic and fecal matter from walkways, garages, and beach shower locations. The Sanitation Division provides this LOS to remain in compliance with the Cleanliness Index. The Public Area Cleanliness Index ratings range from 1 (Very Clean) to 6 (Very Dirty) and include assessments of litter/garbage cans, organic matter (leaves, branches, etc.) and fecal matter. The target goal is 1.5, however, the Sanitation Division averages below that goal in some areas currently.



Legend

- RDA**
- RDA
- Pressure Washer In Garages**
- 41st Street Crew
- Lincoln Rd East
- Lincoln Rd West
- North Crew
- Washington Ave North
- Washington Ave South
- Pressure Washer Crews**
- 41st Street Crew
- Lincoln Rd East
- Lincoln Rd West
- North A Crew
- Ocean Drive Crew
- Washington Ave North
- Washington Ave South
- Night Crew**
- Lincoln Road Crew
- Ocean Drive Crew
- Washington Crew
- Mobile Street Sweeper**
- Sweeper Mid Beach A
- Sweeper North B
- Sweeper South A
- Sweeper South B
- Hand Crews 5 Days**
- 41st Street Crew, 6, 5
- 71st Street Crew, 6, 5
- Collins Crew, 6, 5
- Flamingo Crew, 6, 5
- Harding Ave Crew, 6, 5
- Washington Crew, 6, 5
- Hand Crews 7 Days**
- Entertainment Crew, 9, 7
- Lincoln Road Crew, 9, 7
- North A Crew, 9, 7
- Ocean Drive Crew, 9, 7
- South A Crew, 9, 7
- South B Crew, 9, 7
- Alley Beachwalk Boardwalk Crew**
- Alley Crew A, 2, 5
- Alley Crew B, 2, 5
- Beachwalk Crew, 8, 7
- Boardwalk Crew, 3, 7
- NBRC Crew, 8, 7
- Parking Lot Sweepers**
- Parking Lot Crew-North, 2, 5
- Parking Lot Crew-South, 2, 5



Street Sweeping

Street sweeping and hand crews are one of the most visible aspects of the Sanitation Division for residents and the traveling public. Clean streets and gutters not only give the City an overall clean appearance, but aids in helping reduce traffic accidents and air pollution caused by fine dust particles; reduces health hazards related to dust and insures trash doesn't become a refuge for insects and rodents; prevents the accumulation of debris in catch basins and drainage ditches and reduces the amount of sedimentation discharged into waterways, particularly Biscayne Bay. The Sanitation Division's heavy equipment operators Sweeping Team is responsible for sweeping over 150 miles of roadway.

Administrative Functions that Oversee Core Programs

The administrative group provides ongoing oversight, coordination, policy and planning of all division functions, including administrative tasks, payroll, procurement, human resources, financial and budgetary support. This group consists of 6.5 FTE which includes the Sanitation Division Director, the Sanitation Division Assistant Director, other administrative staff, and a portion of the Public Works Assistant Director.

Roll-offs

Companies that want to provide roll-off service within the City limits must first obtain a Business Tax Receipt as stipulated under Chapter 90 of the Solid Waste code section 90-192. Roll-off companies cannot place a container within our City's limits without obtaining a valid permit as specified in Chapter 90-276 Permit Required.

The licensed hauler must submit the permit application to the Sanitation Division and the Sanitation Division administrative staff reviews the permit prior to entering it In EnerGov and scheduling an inspection. Once Code Compliance receives their inspection list, Code assigns the permit to a Code Compliance Officer (CCO) who inspects the location for placement. At this point, the permit will be either approved or denied. Once approved, Sanitation Admin staff issues the permit and sends it to the requestor.

Under Section 90-278 of the code Fees and requirements; penalties for non-payment, the roll-off company must pay to the City 18% of the contractors' total monthly gross receipts for the month in which the permit was issued and every month thereafter that the permit is valid.

NON-CORE PROGRAMS

The City of Miami Beach also participates and funds additional programs throughout the City that promotes a higher quality of life for the residents. The Non-Core Programs are as follows:

- Pressure Washing
- Redevelopment Agency (RDA)
- Parking Lots and Garages
- Beach Maintenance
- Doggie Bags
- Can on every corner
- Big Belly
- Special Events
- Clean Water Way
- Cat Network
- H.O.P.E. Day Labor

Beach Maintenance

Employees are augmented with Miami-Dade County personnel and conduct litter control of the beach area from the water to the serpentine wall.

Doggie Bags

A pilot program was initiated within the City's right of way to expand the dispensers that had been installed within parks. Currently a three (3) member crew refills, maintains, and installs approximately 95 dispensers ranging throughout the city from 79th St to South Pointe Drive during the hours of 6:30 AM – 3 PM five days per week.

Can on Every Corner

This is an effort for the City to place a garbage can on every corner; currently there are approximately 1800 cans placed at this time. This program has completed its objective. Trash receptacles being purchased to replace damaged or weathered cans that are beyond their service life.

Big Belly

Bigbelly solar trash compactors have been installed on Washington Avenue. Following a pilot program, the revised agreement was executed on October 30, 2017. This agreement supersedes the prior or then existing agreement. The term of the agreement commences with the "acceptance date" of February 5, 2018. The contract initial term will expire three (3) years from the acceptance date. Should the City terminate the agreement for convenience (section 4.4) prior to the completion of the current term, the remaining Monthly Service Fee for the entire term would need to be paid in addition to a removal fee not to exceed \$500 per station. Therefore, any termination of the program prior to the end of the term will not necessarily become a reduction of the year in which it is terminated. There are additional expenses such as repairs, insurance, and taxes that are incurred yearly that would be eliminated with the termination of the agreement.

Special Events

This is overtime attributed to special events in the city such as Memorial Day Weekend, Art Basel, New Year's, Art Deco, Spring Break, Halloween, Orange Bowl, Independence Day, and many other events.

Clean Water Way

This program is simply \$186K funded through professional services to the Environmental & Sustainability Department to assist with the cleaning of citywide canals and waterways. The city's contractor conducts cleaning operations citywide three times a week. This includes removal of floatable litter and large marine debris such as shopping carts.

Cat Network

Sanitation is one of a few programs that contribute to the spay and neuter program of cats through the city. The Sanitation Division's role is to Transport a veterinarian through the City 6 times per year collecting 17.5 hours each time.

H.O.P.E. Day Labor

\$44k funded through professional services to Jewish Community Services Self Sufficiency Program for the homeless. This group conducts litter/debris control in the Flamingo area neighborhood 23 days per month.

Cleanliness Assessors

These are part time employees that are dispatched throughout the City and are measuring the levels of cleanliness from streets, sidewalks, garages, to beach showers. Their findings are reported to the Organizational Development Department and they are tallied into the Cleanliness Index which is released quarterly.

BUDGET STRATEGIES

As part of the zero-based budget exercise, the Administration has identified multiple expenditure and revenue options for the Commission to consider in order to help address the existing \$855,000 structural imbalance in the Sanitation Fund.

Expense Reductions Currently Being Implemented

To close the funding gap between revenues and expenditures, many options have been considered to reduce the current expenditures, specifically measures that will reduce FTE.

Code Compliance/Illegal Dumping/Violations

Illegal dumping is generated by properties and/or individuals that choose to not properly dispose of trash. There are four (4) Code Compliance officers and 2 HEO's and 2 MSW II (two crane crews total) assigned to this effort. The crane crews assist Code Compliance with violations and special pickups. Sanitation impact fees assessed on all building, electrical, plumbing, mechanical and demolition permits from the Building Department are used to help offset illegally dumped debris in streets and alleyways. Code Compliance directs the daily tasks for four (4) officers that are paid for from Sanitation. A reduction of two of the Code Compliance officers has been implemented. Should this redirection have an impact on city-wide cleanliness such as illegal dumping and overflowing dumpsters then reconsideration may be warranted.

Doggie Bag Dispenser

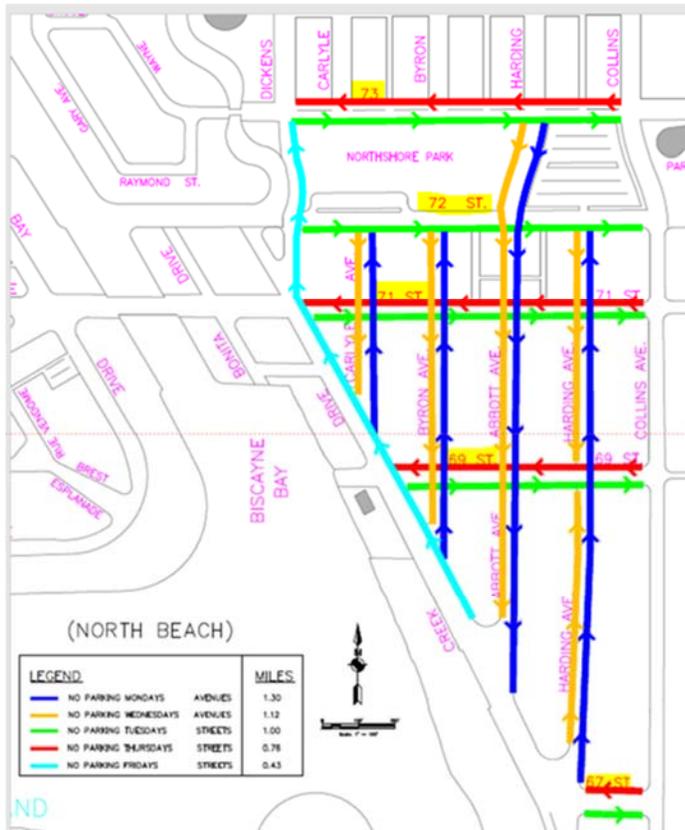
There are two (2) 3 employee crews that are responsible for refilling these dispensers. The North Fly Squad are responsible for the dispensers in the following areas: N Bay Rd & Pine tree Dr; 63rd St & Alton Rd, 64th St & Collins Ave; 76th St & Harding Ave; Abbott Ave & Indian Creek; & Dickens Ave & Tatum Waterway. The South Fly Squad are responsible for the dispensers located in the following areas: West Ave from 9th St to Lincoln Rd on both sides of the street; Collins Ave & 28th St; Meridian Ave on 39th & 42nd St; Prairie Ave on 28th St & 33rd St.; S Pt Dr/ Nikki Bch; Hibiscus Island; 6th St & Jefferson Community Ctr; &The Filmore 14th St & Bay Rd.

Implementing An Alternate Side Parking Program To Facilitate Cleaning Streets

Hand Sweeping crews consist of 5 to 9 employees on a 5/7 day/week schedule with a mobile sweeper. These crews provide litter control, sweeping and raking activities in their respective areas along streets and sidewalks. Manual leaf blowers, brooms pick-sticks, and shovels are also used in concert with mobile street sweepers blow trash and vegetated debris from under stationary objects such a vehicle.

The Sanitation Division is proposing a restricted parking pilot in the Flamingo and North Beach areas. Once per week in prescribed areas that have heavy vegetation issues or high foot traffic from 0900 – 1200 Noon, residents must not park along defined streets to allow the Sanitation crews time to give these areas a deep through cleaning. With these areas being free of stationary objects, all debris will be removed faster and more efficiently requiring less manual

effort. The pilot anticipates a two (2) FTE reduction which could result in a net of \$80,000 with the estimated reduction in labor cost. A City-wide reduction would result in an anticipated of up to five (5) FTE totaling \$228,000.



North Beach map of ASP pilot program



Flamingo map of ASP pilot program

Additional Efficiencies or Potential Expense Reductions

In addition to measures currently being implemented, other areas are being examined such as contracting additional services that are currently being provided as well as reducing the level of service in specific areas such as collecting household trash once per week. The following options have been explored and appear to merit further consideration:

Residential Backyard Service

The City of Coral Gables and the Village of Key Biscayne provide a similar LOS as That provided to the City of Miami Beach single family residents. In comparison the City of Coral Gables charges an annual fee of \$750 and the Village of Key Biscayne charges \$645 as compared to the City of Miami Beach a current annual fee of \$543.96. While this is lower, other nearby residents without such a premier service, pay less in annual fees as noted in the chart below:

MUNICIPALITIES	ANNUAL FEE	POINT OF SERVICE
Coral Gables	\$750	Backyard
Village Key Biscayne	\$645	Backyard
Miami Beach	\$543.96	Backyard
Miami Dade County	\$464	Curbside
Bal Harbour	\$457.20	Curbside
North Miami Beach	\$450	Curbside
City of Miami	\$380	Curbside
Hialeah	\$360	Curbside
North Miami	\$357	Curbside
Bay Harbor Island	\$273.60	Curbside

With the potential savings of 15 to 20 percent, It may be worth exploring this possibility although an actual cost savings cannot be determined until a formal procurement process is performed. As standards within the current contract are demanding, the actual savings may be more in the ten percent range.

One Day per Week Residential Collection

Another possible cost reduction consideration is reducing trash collection to one day per week. It appears that the City of Orlando and Orange County in Florida have successfully implemented a one day a week collection of residential trash since 2017. Estimates of saving could range between 35% 40% which is approximately \$1.4 million

Potential Revenue Enhancements

In addition to exploring cost savings and expense reduction measures, there are a few options to raise the revenues currently collected which have been discussed in the past:

Passing Through The Recycling Fee

The Sanitation Division pays \$3.62 for recycling under the Memorandum of Understanding to Interlocal Agreement between Miami-Dade County (County) and City of Miami Beach (City) for Inclusion in the Miami-Dade County Curbside Recycling Program (the Program) executed January 28, 2009. Under Section VI: Payments paragraph three states the following:

“During the first fiscal year (between October 1, 2008 and September 30, 2009) of this Interlocal Agreement and annually thereafter through the final year of the Agreement, the unit prices paid by the Municipality to the County for the services to be provided will be adjusted by the percent change in the Consumer Price Index (CPI), All Urban Consumers, South Urban, All items, annual average during the previous Service Year, not to exceed three percent (3%) based on the change in such Index from October 1 through September 30 of the previous year. The source of the consumer price indices applied in the annual adjustment to the Collection Payment shall be the U. S. Bureau of Labor Statistics. Each adjustment shall be in effect for the following 12-month period. The Amount paid per Household shall be extended to all Households served based on the Household counts provided by the County in accordance with provisions of this Agreement.”

Since 2008 when the County began collecting single stream recycling, the City has absorbed these costs with no increase in price to residents during these tough economic times. Miami-Dade County increased the recycling fee for the fiscal year 2019 from \$3.52 per month per household to \$3.73 per month effective October 1, 2018 based on a CIP of 2.71%.

The recycling fee could be broken out and passed onto the end user as well as any annual fee adjustments which are typically based upon the April CPI for Miami/Fort Lauderdale/West Palm Beach. If this were to become effective under the current rate structure, the result would be is a rate increase of \$3.73 per month per household for single family and multi-family residences which translates to \$231,000 in additional revenue.

Raising The Franchise Fees

The City Commission adopted Ordinance No. 90-2742 providing for Non-Exclusive Waste Contractor Franchise Agreements on October 1, 2003. Chapter 90 of the Miami Beach City Code, Section 90-221 provides for regulations, fees and procedures, and specifies that the City has the option of raising the franchise fee once yearly, said raises not to exceed two percent (2%). The last increase to the franchise fees per Resolution 2007-26658 increased the franchise fee from 16% to 18% effective October 1, 2007.

Any fee increases that affects solid waste franchisees that provide service to commercial accounts and multi-family units gets passed through to the end user via individual contract increases by the hauler. Increasing the franchise fee from eighteen (18%) percent to twenty (20%) percent will generate additional revenue in the sanitation budget of approximately \$83,000.

Multiple municipalities were contacted regarding their franchise fee rates. The municipalities that responded are listed below. This increase keeps the City of Miami Beach fees at or below other municipalities as shown in the comparison fee chart provided:

Municipalities	Percentage
Hialeah	25%
Coral Gables	22%
North Miami	20%
North Miami Beach	20%
Miami Beach	20% (Proposed)

The current franchise contract expires September 30, 2019. While the franchise fee is currently 18 percent, the additional sums that are paid to the City as discussed previously push the actual percentage of gross revenues paid to the City at a higher rate. All such costs get passed on the end users so any increase should be carefully scrutinized.

Raising The Roll Off Fee

The City Commission adopted Ordinance No. 2008-3616 on September 17, 2008 amending the on-street and off-street permit fee for roll-off waste containers serviced by licensed contractors from 16% to 18% of the licensee's total monthly gross receipts. Currently the roll-off contractor's monthly gross receipts are approximately \$515,740. This equates to \$92,833 per month that the City is collecting on their monthly gross receipts.

Historically, the on-street and off-street permit fees for roll-off waste containers has been the same fee as the franchise fee charged to solid waste contractors. The fee increase will affect

solid waste licensees that provide roll-off service to commercial and residential accounts. This fee has not been increased in 10 years. The additional revenue collected would be approximately \$21,000.

Increasing Residential Solid Waste Fee

The City of Miami Beach is currently well below the current average of other local municipalities when it comes to residential solid waste fee. The following chart indicates 2 other local cities that have the same level of service that the City of Miami Beach has:

MUNICIPALITIES	ANNUAL FEE	POINT OF SERVICE
Coral Gables	\$892	Backyard
Village Key Biscayne	\$645	Backyard
Miami Beach	\$543.96	Backyard

Increasing the rate by 9.4% to \$595 annual would increase revenue by \$300,000 and we would still be well below the average of the local area.

CONCLUSION

The list below summarizes the various expenditure and revenue options identified by Administration as part of the zero-based budget exercise. The Commission will consider these options, as well as any others that may come out of this process, to address the \$855,000 structural imbalance in the Sanitation Fund as part of the FY 2020 budget process.

Revenue Enhancements		Reductions/Efficiencies	
Increase in Residential Fees	300,000	1-Day Per Week Service	(900,000)
Recycling Fee Pass Through	231,000	Elimination Of Backyard Services	(500,000)
Increase In Franchise Fees	83,000	Alternate Side Parking (Citywide) Pilot (\$92,000)	(228,000)
Increase in Roll Off's	21,000	Reduction in Litter/Debris Removal Crew	(138,000)
Total	\$635,000	Elimination of Two Code Officers	(113,000)
		Reduction in Doggie Bag Crew	(43,000)
		Total	\$ (1,922,000)

The Administration's recommendations for the FY 2020 budget process are highlighted above, and total \$857,000. This amount would address the \$855,000 structural imbalance in the Sanitation Fund.