

Solid Waste Hauler Commercial Franchise Hauler Presentation



Update

February 17, 2023

Direction from the November 14, 2022 Meeting

- ***Administration was asked to return to the January 2023 FERC Meeting and report on what other Municipalities are charging Multi-Family residences consisting of 8 to 25 Units, and if there is an established cap on those fees.***
- ***Specific information regarding the franchise fees collected on behalf of the City.***

Direction from the January 27, 2023 Meeting

- ***Provide a presentation at the February 17th meeting of the Waste Hauler franchise fees and to research how the '8' Multi-Family unit threshold was established.***
- ***Meet with Commissioner Fernández to discuss the possibility of a City code amendment that would allow the inclusion of Multi-Family residential dwellings with less than 25 units into the Single-Family exclusive contract and bring back to FERC for direction.***
- ***Chair requested an analysis and comparison with other municipalities of the franchise fees charged under the commercial franchises***

Maximum Fee For Multi-Family Dwellings With Less Than 25 Units

Under the current Commercial agreements:

- ***The two existing agreements are Non-Exclusive franchises.***
- ***The franchisees were selected based on qualifications, not price (City Code Sec. 90-229)***
- ***Franchises are afforded the opportunity to set prices with their customer base, without any regulatory control by the City.***
- ***Condos, and apartment buildings of 8 units or less are considered Single-Family Residential, and covered under the current Exclusive agreement with Waste Connections, Inc.***
- ***Nine units or more are considered Commercial and are covered under the Non-Exclusive Commercial franchise agreements with either Waste Management, Inc., or Waste Connections, Inc. Prices are negotiated between the franchisee and the individual customers.***

Maximum Fee For Multi-Family Dwellings With Less Than 25 Units

Two options based on staff's analysis:

Option 1: Issue a separate RFP for an exclusive agreement that covers 9 to 24 units.

- ***The agreement must be Exclusive to include pricing so that it will be regulated by contract requirements.***
- ***Prices will be pre-approved during the negotiations with the successful bidder(s).***

Option 2: Using a bid waiver, negotiate an extension with the current Residential Exclusive hauler, Waste Connections, Inc. that will add the pricing structure for the 9 to 24 units.

- ***City would maintain price stability under the current contract.***
- ***Public Works has reviewed this option with Procurement and the City Attorney's office. The following slide provides City Attorney's analysis.***

Maximum Fee For Multi-Family Dwellings With Less Than 25 Units

City Attorney's Analysis:

- 1. Difference in the City Code Section 90-97 between “single family waste contractors” and “franchise waste contractors.”***
 - a. Single-family residential contract is Exclusive, and establishes fixed pricing; it has always been competitively bid***
 - b. Commercial franchise waste contractors; we have done an RFQ process, to comply with City Code Section 90-229, which requires us to review and award franchises based on qualifications, with pricing to be determined by market competition between franchisee and waste generator (customer).***
- 2. If the CC wants to amend the single-family residential Waste Connections contract for Waste Connections to serve as the exclusive waste provider of additional accounts (multifamily buildings with less than 25 units), as this contract was competitively solicited and is an exclusive contract, the amendment will require a bid waiver on a 5/7 vote. Alternatively, the CC could authorize a new RFP, with the new contract to take effect after the expiration of the existing contracts.***

Maximum Fee For Multi-Family Dwellings With Less Than 25 Units

City Attorney's Analysis:

- 3. Whether RFP for a new exclusive single-family waste contract (covering single family homes and multi-family buildings with less than 25 units) or waive bids, in order to implement the new scope:***
 - a. Amend Section 90-97, which provides that "Collection by single-family waste contractors. All solid waste generated by single-family residences and multifamily residences of eight units or less shall be collected, conveyed and disposed of by a single-family waste contractor(s)."***
 - b. We may need to identify a process for a "phase-in" or transition of accounts from Waste Management to Waste Connections. Ideally, we would approve new franchise waste agreements at the conclusion of the current term, with the contract modified to conform to the new City Code requirement.***
- 4. If we extend the term of any of these agreements in a manner that is different from the term specified in Section 90-230 of the City Code, we should amend section 90-230 to reflect the recommended approach for the term for these agreements. Ideally, rather than extensions, we enter new contracts for a new term, effective October 1 for a new fiscal year (and contract year per the existing contracts).***

Franchise Fee Rate Comparisons Among Municipalities

- ***The City collects a total of 22 % in gross receipts from the Waste Haulers (20% of gross receipts and 2% of gross receipts for operating the City's right-of-way (Resolution 2019-30982).***
- ***The total gross receipts received contributed to 24% of the Sanitation's operational expenditures in FY 22 as shown below:***
 - ***Franchise Fee: Waste Management, Inc. = \$3,448.195.55 or 15%***
 - ***Franchise Fee: Waste Connections, Inc. = \$2,111,229.09 or 9%***
- ***The City charges a service fee of 34% (\$16.44) for single family units and 27% (\$12.01) for multi-family units (8 or less) which contributes to approximately 5% of Sanitation's operational expenditures. (Ordinance 2019-4240)***

Single Family	2021	2022	Increase	% Change
Residential Trash Fee	\$29.96	\$31.01	\$1.05	3.4%
City Service Fee	16.44	16.44	0	
Total Monthly Fee	\$46.40	\$47.45	\$1.05	2.2%
Multi-Family	2021	2022	Increase	% Change
Residential Trash Fee	\$29.96	\$31.01	\$1.05	3.4%
City Service Fee	12.01	12.01	0	
Total Monthly Fee	\$41.97	\$43.02	\$1.05	2.4%

Total FY22 Revenues \$1.1M (Difference between revenues and Expenses from Residential Solid Waste Connections)

- ***NOTE: This contribution is critical and necessary to maintain current staffing levels, operations, and enhanced levels of service that we provide our residents.***

Franchise Fee Rate Comparisons Among Municipalities

Staff analyzed various municipalities throughout Florida to compare franchise fees assessed, and how they compared to the City of Miami Beach. The summary is as follows:

- A total of 32 municipalities were queried. Five were removed from the analysis as the fee is embedded in their rates or no information was available.***
- Twenty-seven municipalities with both Exclusive and Non-Exclusive agreements were analyzed.***
- Twelve of the twenty-seven (44.4 %) municipalities (Exclusive and Non-Exclusive) assess fees at 20% or greater (similar to Miami Beach). The average of these 12 is 24.6% with the highest being the City of Weston at 35%.***
- Four of the municipalities using Non-Exclusive agreements similar to Miami Beach, with franchise fees at 20% or greater have an average fee of 26.0 %.***

Analysis indicates that the franchise fees collected by the City of Miami Beach are consistent and within the range of other municipalities in Florida.

NOTE: The current commercial franchise agreements are currently on a month to month as of October 1, 2022, and it is set to expire on September 30, 2023 unless additional extensions are approved by the Commission.

Franchise Fee Rate Comparisons Among Municipalities

Franchise Fee Rate Comparisons among Municipalities

State	City	County	Population	Residential Hauler	Commercial System	Commercial Hauler	Commercial Franchise		Comments
							Fees	Average	
Florida	Gainesville	Alachua	143,835	GFL Environmental	Non-Exclusive Franchise	Multiple	10%		
	Palm Bay	Brevard	122,765	Republic Services	Exclusive Franchise	Republic Services	10%		
	Cooper City	Broward	34,397	Waste Management	Exclusive Franchise	Waste Management	10%		
	Coral Springs	Broward	134,558	Waste Pro	Exclusive Franchise	Waste Pro	27%		
	Fort Lauderdale	Broward	186,076	Republic Services (garbage); Coastal W&R	Non-Exclusive Franchise	Multiple	25%		
	Hollywood	Broward	153,854	Waste Pro	Non-Exclusive Franchise	Multiple	30%		
	Lighthouse Point	Broward	10,499	Waste Management	Exclusive Franchise	Waste Management	10%		
								24.6%	Average of the 12 municipalities (Exclusive and Non-Exclusive) at 20% or greater
	Miramar	Broward	136,007	Waste Pro	Exclusive Franchise	Waste Pro	26%		
	North Lauderdale	Broward	44,855	Waste Management	Exclusive Franchise	Waste Management	25%		
								26.0%	Average of 4 Municipalities using Non-Exclusive Agreements at 20% or greater
	Parkland	Broward	35,440	Waste Management	Exclusive Franchise	Waste Management	12%		
	Pembroke Pines	Broward	170,857	Waste Pro	Exclusive Franchise	Waste Pro	20%		
	Tamarac	Broward	72,509	Waste Management	Exclusive Franchise	Waste Management	20%		
	Weston	Broward	68,305	Republic Services	Exclusive Franchise	Republic Services	35%		Legend
	Unincorporated BC	Broward	17,079	Coastal Waste & Recycling	Exclusive Franchise	Coastal Waste & Recycling	15%		
	Hialeah	Miami-Dade	225,493	Progressive Waste	Non-Exclusive Franchise	Multiple	25%		Franchise Fees at 20% or greater
	North Miami	Miami-Dade	60,175	Waste Pro	Exclusive Franchise	Waste Pro	20%		Highest Franchise Fee
	North Miami Beach	Miami-Dade	43,749	Waste Management	Exclusive Franchise	Waste Management	20%		
	Doral	Miami-Dade	80,703	Miami-Dade County	Non-Exclusive Franchise	Multiple	10%		Average of 12 Municipalities at 20% or greater
	Coral Gables	Miami-Dade	50,193	Municipal	Exclusive Franchise	Waste Management	22%		Average of 4 Municipalities using Non-Exclusive Agreements at 20% or greater
	Miami	Miami-Dade	449,747	Municipal	Non-Exclusive Franchise	Multiple	24%		
	Delray Beach	Palm Beach	66,948	Waste Management	Exclusive Franchise	Waste Management	10%		
	Palm Beach Gardens	Palm Beach	59,755	Waste Management	Exclusive Franchise	Waste Management	5%		
	Wellington	Palm Beach	61,768	FCC Environmental	Exclusive Franchise	FCC Environmental	5%		
	Unincorporated PBC	Palm Beach	653,174	Multiple	Exclusive Franchise	Multiple	3%		
	Port St. Lucie	St. Lucie	214,514	FCC Environmental	Exclusive Franchise	FCC Environmental	4%		
	Cape Coral	Lee	201,554	Waste Pro	Exclusive Franchise	Waste Pro	8.5%		
	Unincorporated Lee Co.	Lee	385,495	Multiple	Non-Exclusive Franchise	Multiple	5.5%		

Note: There are few comparable municipalities in Miami-Dade County as 10 municipalities, and the county's unincorporated areas receive residential collections through DSWM. An additional 8 municipalities perform residential collections using municipal crews.

Miami Beach Waste Hauler Franchise Fee Breakdown

Below are the costs of the service agreement contributions to City programs that are paid by Waste Connections (WC) and Waste Management (WM) yearly as the two Non-Exclusive franchisees. Some of the contributions are split by market share (WM 60% WC 40% approximately,) and others are equally split between both haulers.

- *Household Hazardous Waste/EWaste Events (4 times a year approximately) which is a \$60K contribution split based on market share. WM \$35,862 and WC \$24,138.*
- *Contributing to the purchase of recycling containers. \$1,442 x 25 Victor Stanley's = \$36,050 (WM \$21,121 and WC \$15,729).*
- *Disposal contributions based on market share \$400K per the agreement (WM \$240,000 and WC \$160,920).*
- *Security guard for monthly First of the Month Bulk Waste Events. \$8K based on market share (WM \$4,782 and WC \$3,218).*
- *Sustainability/Environmental programs \$25K which is split \$12.5K for each hauler.*
- *Educational Programs \$90K, split \$45K per hauler. These funds are for City-initiated educational programs which are at the discretion of the City Commission.*
- *Two percent of monthly gross receipts are for sustainable programs that are overseen by Environmental and Sustainability (e.g., waterway contract). Split by market share (WM \$364,485 and WC \$207,994).*
- *Over 1,000 commercial litter container route serviced by both haulers. Split by market share (WM 60% WC 40%).*

Recommendations

- ***Establishment of a maximum fee for waste hauler services for multi-family dwellings of less than 25 units:***

Public Works recommends using the bid waiver (5/7 vote) to negotiate an extension of the current exclusive franchise and add the pricing structure to include 9 to 24 units.

- ***Franchise Fees for commercial waste hauler agreements:***

Based on staff's analysis, the franchise fees collected by the City of Miami Beach are consistent and within the range of other municipalities in Florida. As such, we are requesting a favorable recommendation from FERC to request the full Commission authorize the City to advertise the new RFQ for commercial waste hauler Non-Exclusive agreements. The new RFQs will also contain additional reporting requirements that will strengthen the City's ability to audit these contracts.

Comments / Questions ?

