

MIAMI BEACH

Finance and Citywide Projects Committee Meeting
City Hall, Commission Chambers, 3rd Floor, 1700 Convention Center Drive
July 27, 2018 - 12:00 PM

Commissioner Ricky Arriola, Chair
Commissioner Mark Samuelian, Vice-Chair
Commissioner Micky Steinberg, Member
Commissioner John Elizabeth Alemán, Alternate

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A Budget Briefing meeting of the Finance and Citywide Projects Committee was held on Friday, July 27, 2018 at 12:00 p.m. in the Commission Chambers, 3rd floor of City Hall. Attendance: Commissioners Ricky Arriola, Mark Samuelian, and John Elizabeth Alemán. Members from the Administration and the public were also attendance.

Meeting began at 12:10 p.m.

3. **SANITATION FEE ADJUSTMENT** Public Works

ACTION

Jay Fink, Public Works Assistant Director, presented the item. He said with the proposed budget we are still looking at a deficit in the Sanitation Fund, which is an enterprise fund and it does have basically two components, one being residential and one being commercial. He went through the presentation. He showed the slide that has the residential fees for single family and multi-family homes and it indicated that the fees have not been increased since 2015. The residential fee is broken into two components, one cost is the contractor cost and the other is the City cost. Miami-Dade County gave us a cost through an Interlocal agreement in 2009, the City absorbed those costs, they were never passed on to the residents. Presently Miami-Dade is increasing the costs effective October 1 by 2.71% to \$3.62. Jay Fink explained the slide of how the fee breaks down and what we are looking at doing. We are running a deficit within the Sanitation Fund and part of that reason is because we absorbed the recycling component, but also the other increases we had to deal with. The information on the slides talking about residential fees include the increase already. He showed a slide with comparing Miami Beach to other cities with the annual fee and the point of service, which is the backyard service.

Commissioner Alemán asked what we would be paying if we had curbside service. Al Zamora, Sanitation Division Director said we would probably be looking at a 30% decrease if we were to go ahead and bid it out as a curbside pickup. Backdoor is premium service. We just bid out the backdoor service, but did not ask for any quotes

on the curbside. Commissioner Alemán said the current company is doing an excellent job, so she is not sure it is a viable option to change to a curbside service. It is interesting to note the premium we pay for the high service.

Commissioner Samuelian said he sees we are calling for a material increase in residential and he may be okay with that, but he noted and Jay Fink said we haven't raised rates since 2015, he asked Jay Fink to talk about why that was and also the CPI kicker we talked about with the stormwater, why we don't have it or we should have it.

Al Zamora said one of the things that really helped us out is leverage, it just so happened that this was a 5 year contract with 3, 1 year renewals. We negotiated every time we went through negotiations that the 1 year renewal would include keeping the price flat. It was a pass through. Now we have a deficit in the budget and we are looking to make up the ground.

Jay Fink said for whatever reason the City has not passed the increases on and the budget goes up, there have been subsidies from resort tax over the years to make up for that short fall that no longer is available.

Commissioner Samuelian asked if we have the CPI kicker on the water and sewer. Jay Fink said yes. Commissioner Samuelian asked if there is any reason we shouldn't implement something like that for this. Jay Fink said if it is the will of this Committee what would go forward from this would be to look at ordinance changes in September.

Commissioner Alemán said she thinks that is a good practice.

Al Zamora said it would be going forward, he said there are 2 components to this fee. There is a contractual obligation, which hasn't been moved.

Commissioner Alemán asked if we want to encourage Mr. Zamora to negotiate out of the increase again in the current context and not do this. As with the other fees it makes her uncomfortable as we have so much of importance to the City riding on the G.O. Bond. She doesn't want to do anything else that is going to exacerbate the thinking in a negative way with the voters.

Jay Fink said one of the things we have to look back at, for example, in FY18 \$3.4 of the \$21 million on the funding side of the enterprise fund was taken out of fund balance.

John Woodruff, Chief Financial Officer, said that the resort tax piece that usually helps pay for sanitation has not been able to make a full contribution. We are feeling fiscal pressure in this fund. The recommendation is to at least do these fee increases and we will still be in tough shape.

The current resident rate is \$41.56, we are talking about an additional \$3.62 per month. It would be effective October 1. Moving forward it would be subject to CPI on a yearly basis capped at 3%. When we did the deal with the County, Mr. Zamora made sure we capped it at 3% regardless.

Jay Fink said looking to go forward we would look at the recycling, whatever the County would increase would be a pass through and whatever would remain would be based on a CPI.

Commissioner Samuelian said we haven't discussed commercial rates yet, but he asked if there is an opportunity to do more increases in the commercial and less in the residential.

Jay Fink went over the commercial customers. He said they are basically all serviced by Franchise Waste Haulers. We adopted this back in 2003, basically we give them a franchise fee, and it was last increased in 2007 from 18% to 20%. Whatever their cost is for the hauler per container per yard, they add 20% as a pass through from the commercial customers to the company back to the City. It gives us anticipated revenue of \$84,000. He showed a slide with comparable cities percentages.

Mr. Zamora said by ordinance we can always raise it 2% every year. Commissioner Samuelian asked why we have that in place. Mr. Zamora said it was supposed to help with the services we provide in the commercial districts like litter control, pressure washing, etc.

Jay Fink said we could look to eliminate that cap in the ordinance.

Commissioner Samuelian moved that we incorporate the CPI increases and remove the cap on the commercial rates. Commissioner Alemán seconded.

John Woodruff wanted to clarify that the recommended rate increase that the Committee is saying not to do that, he asked if we are going to revisit it similar to stormwater. The Committee hasn't decided yet.

Commissioner Arriola said for the residential he is okay with some increase.

Discussion was held.

Commissioner Samuelian said he would definitely be okay with the residential rate at CPI as a starting point. It is 3.5%. On the commercial side, he asked if we can pass an ordinance by October and hopefully without a cap make up the difference.

Commissioner Arriola said he is not sure we would get there based on looking at the numbers.

Al Zamora said there is one other component that they are also proposing increasing by 2%, the rolloff franchise fee, which is currently 18-20%, because usually run those things even. It would be a cost to the construction companies, not the consumer. Even with the increases that we do today, if you look at the chart where we are compared to other cities, we are still below.

Commissioner Arriola asked if we split the baby instead of going for the full 8.4%, go for 4.2% and then next year another 4.2% and adding in the higher commercial rate where that gets us. John Woodruff said it is better than nothing, but the problem is bigger than that. That is not going to solve the problem. What we really need is to get the resort tax back to be able to fill up that bucket. At least that will get sanitation to a fairly good place. We need probably a multiyear plan on the fees to get to a better place.

John Woodruff said part of what we ran into the last several years and why the Commission might have not seen some of the increases that should have happened is

as we are raising stormwater and water and sewer to pay for bonds and it is all on the same bill, if you will.

Commissioner Alemán said we should pass what we feel comfortable with today, but direct John Woodruff to come back to the Committee with a multiyear plan that resolves the problem, once and for all, but with a more resident considerate timeline and then we can pass that by resolution so it just happens.

Commissioner Samuelian said he is supportive of the direction and asked if that gets us somewhere, he also asked if there is another bucket of funds that could be brought into this somehow, since John Woodruff mentioned the resort taxes.

John Woodruff said we are hopeful with the Convention Center coming online; hopefully we will get a shot in the arm for resort taxes. Hopefully we will be able to fill up that bucket and hopefully take some pressure off, but we will need a multiyear plan to get to a sustainable place.

Commissioner Alemán mentioned the new revenue streams that were discussed and we should still pursue them and rope them in to the overall discussion.

Commissioner Samuelian said another example would be advertising within the trolleys. He would be comfortable being a little more proactive on the commercial side, given that we haven't increased that. He knows that happens after October, he would be okay to wait and do it that way. On the consumer side it sounds like that Commissioner Arriola teed up half, the 4.2%, along with the direction to come back with a longer term plan.

Commissioner Arriola said to bring the plan back to the next FCWPC meeting that the Committee can commit to for the sanitation fund.

Discussion was held regarding best practices in terms of how money is used and being disciplined about the budget.

Eric Carpenter said that we shouldn't set unrealistic expectations, we are probably not going to be able to meet the 4.5% increase even with the new contract because that contract is probably a \$5 increase per month because we haven't seen those increases and that doesn't touch our piece of it.

Commissioner Arriola asked what the change would be. Al Zamora said there was a chart without negotiating the fees on the amounts that we got on the bid. If we were to choose Waste Management, it would be \$70.01 per month. The incumbent would raise it to \$52.06 from \$41.56. Doing the increase now and then doing the increase in 3 months when we close out. Discussion continued regarding the explanation for different vendors.

All proposals would be going higher than what residents are paying now.

Eric Carpenter said this does include breaking out the recycling fee that last year was included in the \$16.44 for City services. When the County started charging us recycling in 2008, we absorbed it into the \$16.44 fee and that hasn't changed since 2008. It was never tied to a CPI increase.

Discussion was held regarding the increase in costs.

The City has been subsidizing the true costs for a long time.

John Woodruff said there was a healthy fund balance at one point, sometimes people say we don't have to keep up with certain things because we can live off of the fund balance. A lot of the fund balance went out the door with Hurricane Irma.

Discussion was held regarding the trucks.

Al Zamora said the life expectancy of a truck in the industry is 8 years. The amount is put upfront on the price. Every 8 years we need new trucks.

Discussion was held regarding the subsidizing.

Commissioner Arriola said the waste hauling should be the same for everyone.

Al Zamora said we can no longer subsidize the recycling piece and that is where the \$3.62 increase comes from.

Commissioner Samuelian said what he is hearing is that we have to catch up. The question is how fast is that catching up going to be. We do need to fix the problem, but the question is how fast we want to fix it in year 1.

Commissioner Arriola said we have instructed John Woodruff and the team to come back with a plan to get us back to where we need to be, a true balance in the sanitation fund. We need to get on track to get this done. We can then start recommending and executing the plan. Whatever rate increases have to happen in the next few years, we will try to do that.

Commissioner Alemán asked what happens next with the new revenue ideas. She asked what the plan is to get them because we should like to get them and target some of these problems. She asked who is taking definitive action on those new revenue opportunities and against what timeline.

John Woodruff said at the July 13th FCWPC meeting, Tonya Daniels gave a presentation about some of the options and she got some direction about some likely ones that we should explore. He said he can check with her.

Commissioner Alemán would like to light a fire under that activity and set some deadlines around it.

John Woodruff suggested getting an update in September as Old Business.

The Committee would like that.

Commissioner Samuelian mentioned again the more modest consumer increase, whether it is 4% or so, a little more proactive on the commercial, we fix the CPI and the caps. We know we have to fix this problem whether it is by more rate increases, incredible resort taxes, and/or the revenue sources that we will hear about in September again. He said he thinks it is very doable.

Commissioner Arriola asked if we are okay passing through the recycling fee. He said he is okay with it, it is fair.

Commissioner Alemán asked if the increase can be a line item on their bill.

Manny Marquez, Assistant Finance Director, said we can add a line item to our utility bills for that amount.

Commissioner Samuelian said he is just a little sensitive because we are already asking for \$400 million and then another \$3.62 increase. He doesn't disagree with the principle, but the timing is a little awkward.

Commissioner Alemán said she doesn't disagree with that.

Commissioner Arriola asked if the Committee wanted to go half way or the full thing.

Commissioner Alemán said her gut feeling is that we should do one or the other. We can either do the CPI or pass through the recycling fee in total, but delineate it. She doesn't think the timing is right to do both of these things.

Eric Carpenter said what we were suggesting was the recycling fee this year and then adding a CPI that would begin in FY 2020.

Commissioner Alemán confirmed that we would do the commercial side as discussed and for the residential side, the only thing we would do is stop subsidizing the recycling fee and we would delineate that on people's bills so they understood what their increase was.

Eric Carpenter said we would also be passing through the negotiated cost increase of the contract piece of that, which could be a big number.

Commissioner Alemán said she doesn't feel good about the timing of doing both of those things at the same time.

John Woodruff asked Eric Carpenter what the timing of that particular pass through.

Al Zamora said we are probably looking at January or February of 2019. He still needs to negotiate this; the new trucks have to show up. We have some time. What we did on Wednesday's meeting, they asked Commission to give a month to month, and he thinks that is going to be a little more palatable.

Commissioner Arriola said these new waste hauling fees are a significant jump. He asked if we don't eat into the cost, what it is going to do to our budget.

John Woodruff said when you are not in a good place and it keeps getting put off, it makes it harder to dig out later.

Tameka Otto Stewart said the proposed rate increase is not included in the budget, we know it is going to hit now, we haven't built in the transfer to the residents, but right now where the budget stands they need to make up \$3 million in the deficit. Even with these changes, we are still going to have to use \$3 million of fund balance.

Commissioner Arriola said all the more reason to look for more revenue opportunities. He asked if the Committee wants to have the recycling fee broken out as a line item on the utility bill, pass it through and be done with it, and maybe be in a position come December or January when the numbers are finalized with the waste haulers then we take action.

Commissioner Alemán and Commissioner Samuelian are fine with that.

The Committee is good with passing through the recycling fee as of now.

Al Zamora said on the commercial side, in fairness to the haulers, he asked if the 2% effective October 1.

The Committee said effective in October.

Commissioner Arriola said potentially we could raise it again. He said they are taking staff's proposal of \$3.62 on the recycling fee on the pass through and the 2% on the commercial side and remove the cap so we don't tie our hands anymore. He said to come back to the FCWPC when staff has the final negotiated price for the waste haulers and do their best to get it as low as possible and then the Committee will see to what extent they will continue to subsidize.

Commissioner Samuelian said he thinks this was a very useful discussion and we are going to come up with a plan. He would ask that if there are any more gaps like this that we need to address that they come forward sooner rather than later.

John Woodruff said it is a great point. He doesn't think there are any others.

MOTION 1: Commissioner Samuelian moved that we incorporate the CPI increases and remove the cap on the commercial rates. Commissioner Alemán seconded. All in favor.

MOTION 2: Vote of acclamation to approve staff's proposal of \$3.62 on the recycling fee on the pass through and the 2% on the commercial side and also removing the cap.

DIRECTION: Add a line item for the \$3.62 on the utility bills. Come back to the September 14, 2018 FCWPC meeting with the Revenue Streams discussion. Come back to a future FCWPC meeting with the final negotiated price for the waste haulers.