



"The Best Waterfront City in Which to Live, Work And Play."

CITY OF RIVIERA BEACH

TO: HON. MAYOR, CHAIRPERSON, AND CITY COUNCIL

THROUGH: JONATHAN EVANS, CITY MANAGER, MPA, MBA, ICMA-CM

FROM: RANDY M. SHERMAN, DIRECTOR OF FINANCE & ADMINISTRATIVE SERVICES

SUBJECT: RFP 101-21-1 ESTABLISH A FRANCHISE FEE FOR SOLID WASTE SERVICES

DATE: APRIL 21, 2021

CC: GENERAL PUBLIC

Background:

On March 7, 2021, the City issued a Request for Proposals for Solid Waste Services (RFP 101-21-1). Under the terms of the solicitation, the City will grant the selected Contractor the exclusive Franchise to operate and maintain comprehensive solid waste, bulk waste and other residential and commercial collection and disposal services for the City. In consideration for the privilege granted to the Contractor to use and occupy the streets, alleys, bridges, easements and other public places of the City, the Contractor shall pay to the City a Franchise Fee for all services the Contractor provides within the City's municipal corporate limits. In accordance with the solicitation, such Franchise Fees shall be established by resolution of the City Council, as may be amended from time to time, and based on a percentage of the Contractor's Gross Revenues.

The current Franchise Agreement with Waste Management (Agreement), entered into in February 2011, contained a flat dollar amount Franchise Fee. The initial Franchise Fee was \$117,000 per month, subject to the same annual rate adjustment applicable to Residential Curbside Rates as provided in the Agreement. Today, the City receives \$136,007 per month, a 16.25% increase over the ten-year contract period.

The calculation of the Franchise Fees as stipulated in the 2011 Franchise Agreement has proven to have an adverse financial impact to the City as described below:

- The annual rate adjustment calculates the average cost to the Contractor to provide Residential Curbside service. As the City's residential counts grow, the average fixed costs to provide Residential Curbside service has decreased, while at the same time, revenues to the Contractor have increased. In April 2011, revenues invoiced by the Contractor were \$171,367, in February 2021, revenues invoiced by the Contractor were \$206,412, a 20.5% increase over the ten-year term of Agreement.
- The Franchise Fee is deducted from the monthly residential revenues invoiced and collected by the City through the Utility Billing. The result of this methodology is financially burdensome to the City as residential customers are the sole contributor to the Franchise Fee. The Contractor is compensated based on the number of active accounts, with no regard for actual funds collected; the City absorbs 100% of all uncollectible amounts. The City has no knowledge as to how Commercial accounts with dumpster service or customers provided roll-off containers have been paying the Franchise Fee or the Franchise Fee amounts collected from these same customers.

Reviewing Fiscal Years 2011, 2019 and 2020, the Franchise Fee consumed 60.2%, 75.7% and 65.99% of total revenues recognized by the City. Staff has researched Franchise Fees from other municipalities and has found rates ranging from 17% to 35%. The City's current rate calculates to approximately 20% based on financial data provided by the current contractor. However, as noted, the Franchise Fee is consuming 60-75% of the total revenues collected; fund balance has dropped \$795, 545 from \$1,974,247 at the close of Fiscal Year 2010 to \$1,178,702 at the close of Fiscal Year 2020. Staff recommends a Franchise Fee of 35%, equal to the most recent rate adopted by the City of Weston.



By establishing the Franchise Fee at 35% of the Contractor's Gross Revenue, collecting the Franchise Fee from both the customers the City invoices and the customers the Contractor invoices, and remitting to the Contractor from only revenues actually collected, the city would generate an additional estimated \$800,000 in Franchise Fees annually. This additional funding would be utilized to cover the full costs of administering the Solid Waste program including the city's staff liaison, compliance, illegal dumping and city-wide beautification and clean-up programs.

As indicated previously, the Franchise Fee to be implemented as a condition of granting a new Franchise must be established by a resolution of the City Council and based on a percentage of the Contractor's Gross Revenues.

City Goals:

The City wide goal is:

- Strengthen Community Engagement
- Achieve Sustainable Economy
- Enhance Government Stewardship
- Accelerate Operational Excellence
- Build Great Neighborhoods



Fiscal/Budget Impact:

Page 329. Establishing the Franchise Fee at 35% of contractor gross revenues is estimated to generate an additional \$800,000 of Franchise Fees annually.

Recommendation:

Approve Resolution establishing a Franchise Fee for Solid Waste Services.

Attachments:

1. Resolution No. 34-21