

TOWN OF LAKE PARK, FLORIDA



SANITATION RATE ANALYSIS

July 6, 2022



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Mr. Roberto F. Travieso, MPA
Director of Public Works
Town of Lake Park
535 Park Avenue
Lake Park, FL 33403

Subject: **Sanitation Rate Analysis**

Dear Mr. Travieso:

Raftelis Financial Consultants Inc. ("Raftelis") has completed the analysis of the sanitation system (the "System") multi-family rates for the Town of Lake Park, Florida (the "Town"), and has summarized the results in this letter report your consideration. As requested, this report summarizes our recommendations regarding overall System rate adjustments for the upcoming Fiscal Year 2023 and the proposal to bill certain multi-family accounts (i.e., those accounts greater than four units on the property that are served utilizing dumpster collection services) based on commercial dumpster rates consistent with the type and level of service provided by the Town.

OVERALL SYSTEM RATE ADJUSTMENTS FOR FISCAL YEAR 2023

In our report dated July 10, 2020, Raftelis recommended a proposed sanitation system financial plan and rate adjustments necessary to fund the projected revenue requirements of the System. In developing the financial plan, we relied upon certain information and data provided by the Town including the Town's comprehensive annual financial reports ("CAFR"), the Fiscal Year 2020 operating budget and certain data derived from the proposed Fiscal Year 2021 operating budget, estimated capital expenditures, customer statistics, periodic reports, records of operation, and other information and data provided by the Town.

Based on our studies, assumptions, considerations, and analyses as summarized in the July 10, 2020, we have concluded that:

1. The Town's existing rates for sanitation service are not anticipated to be sufficient to recover the projected system costs and financial requirements for Fiscal Year 2023.
2. To fund the projected revenue requirements of the System set forth previously developed financial plan, it was recommended that the Town adopt rate adjustments of nine percent (9.0%) for Fiscal Year 2021 followed by adjustments of five percent (5%) per year for Fiscal Years 2022 through 2025, based on maintaining the proportionality of the assessment rates established in Resolution No. 20-07-14.
3. The Town should periodically review the adequacy of sanitation rates over the course of the Study Period to ensure revenue sufficiency in future years

Raftelis Financial Consultants, Inc. ("Raftelis") was tasked with: i) recommending a System-wide rate adjustment for Fiscal Year 2023 in consideration of the original financial forecast summarized in the July 10, 2022 Rate Study Report and the proposed FY2023 budgeted expenditures; and, ii) analyzing staff's proposal to reclassify multi-family properties that are currently charged an annual assessment per unit to the commercial dumpster rate classification based on the type and level of services actually provided to such customers.

EXISTING RATES

The Town provides solid waste collection service to residential single-family, multi-family and commercial properties within the Town. Currently, single-family and multi-family properties receiving service are billed annually as a non-ad valorem assessment. Non-residential customers receiving container (i.e., dumpster) service have a variety of options regarding container size and collection frequency and are billed monthly by the Town. In addition, non-residential customers are also billed a minimal non-ad valorem assessment by The Town, based on the estimated volume of waste and property size. Below are the Town's existing rates for residential sanitation service, which were adopted effective October 1, 2020.

Existing Annual Rates for Residential Sanitation Service	
Service Type	Existing Rate
Single-Family	\$234.88
Mobile Home	\$234.88
Multi-Family per Unit (Less than 5 Units)	\$234.88
Multi-Family per Unit (Greater than 4 Units)	\$159.00

Below are the Town's existing sanitation rates for commercial dumpster service, which were adopted effective October 1, 2020.

Existing Commercial Dumpster Rates					
Cubic Yards	Once/Week	Twice/Week	Three Times/Week	Four Times/Week	Five Times/Week
0.5	\$20.21	\$40.43	\$60.64	-	-
2.0	\$80.99	\$161.77	\$242.64	\$323.54	\$404.43
3.0	\$121.33	\$242.64	\$363.97	\$485.29	\$606.62
4.0	\$161.77	\$323.54	\$485.29	\$647.09	\$808.86
6.0	\$242.64	\$485.29	\$727.93	\$970.63	\$1,213.24
8.0	\$323.54	\$647.09	\$970.63	\$1,294.18	\$1,617.72

Subsequent to the nine percent (9%) rate adjustment adopted on October 1, 2020, the Town did not adopt any further rate adjustments. The proposed rate adjustments recommended in the Rate Study Report dated July 2020, were designed to fund the annual operating and maintenance expenses of the System, as well as the cost of financing the renewal and replacement of vehicles and equipment and required general transfers are generally referred to as the cash revenue requirements. In addition, the proposed rate adjustments were intended to establish a minimum cash reserve balance for System as the historical balances had been depleted as of Fiscal year 2020. The projected revenue requirements include the various generalized cost components described below:

- Operating Expenses: Includes the cost of disposal service, labor and personnel related costs, contractual services, vehicle and fleet maintenance, utilities, operating supplies, equipment repairs and maintenance, indirect cost allocation of certain General Fund expenses and other items necessary for the provision of sanitation services.
- Other Revenue Requirements: Includes, in general, any recurring capital improvements to be financed from revenues such capital lease payments for replacement vehicles and transfers to cash reserves to establish and maintain minimum operating reserve cash balances.

Based on FY2022 budgeted expenditures and the significant inflationary cost increases related to fuel and vehicle replacement costs likely to occur in Fiscal Year 2023, it is recommended that the Town adopt an interim rate increase of 10% for Fiscal Year 2023 and conduct a more thorough rate review update to evaluate the rate needs for Fiscal Years 2024 through 2028. The basis for the recommended 10% rate increase is to catch up to previously recommended rate adjustments (i.e., 5% for FY2022 that was not adopted and 5% for Fiscal 2023 as originally recommended). If the recommended rate increases are not adopted, it is very likely that the Solid Waste Enterprise Fund will need to be significantly subsidized by the General Fund to maintain current operations and fund necessary vehicle replacements. At the time of the last rate study in 2020 the collection fleet included five (5) vehicles in need of replacement and projected expenditures of approximately \$1.1 million for these new vehicles were included in the financial plan for Fiscal Years 2021 through 2023. Since the current rates were adopted in October 2020 only one (1) sanitation vehicle has been purchased.

PROPOSED RATES

Based on the proposed ten percent (10%) System-wide rate adjustment the proposed non-ad valorem rates for residential service are as follows.

Proposed FY2023 Annual Assessment Rates for Residential Sanitation Service	
Service Type	Existing Rate
Single-Family	\$258.37
Mobile Home	\$258.37
Multi-Family per Unit (Less than 5 Units)	\$258.37
Multi-Family per Unit (Greater than 4 Units)	\$174.90

Below are the Town's proposed sanitation rates for commercial dumpster service, to be adopted effective October 1, 2022.

Proposed Monthly Commercial Dumpster Rates*					
Cubic Yards	Once/Week	Twice/Week	Three Times/Week	Four Times/Week	Five Times/Week
0.5	\$22.88	\$45.76	\$68.64	-	-
2.0	\$91.52	\$183.04	\$274.56	\$366.08	\$457.60
3.0	\$137.28	\$274.56	\$411.84	\$549.12	\$686.40
4.0	\$183.04	\$366.08	\$549.12	\$732.16	\$915.20
6.0	\$273.56	\$549.12	\$823.68	\$1,098.24	\$1,372.80
8.0	\$366.08	\$732.16	\$1098.24	\$1,464.32	\$1,830.40

*Based on a cost of \$10.56 per cubic yard including collection and disposal costs.

MULTI-FAMILY RATE ANALYSIS

The Town currently charges multi-family properties an annual non-ad valorem per unit that is the same rate per unit as the single-family rate for properties with four (4) or less units. For multi-family properties with five (5) or greater units the per unit rate is approximately thirty two percent (32%) lower than the single-family rate. It should be noted, however, that the multi-family properties with greater than five (5) units are provided service on the same basis as commercial properties, which involves collecting the waste from dumpster containers rather than individual trash cans. Given the similarity in the actual type of collection service and the related costs to collect and dispose of multi-family solid waste, Raftelis was engaged by the Town to evaluate the financial and operational impact of charging multi-family units the same rate as commercial properties.

To evaluate the rate/revenue impact of charging multi-family properties with five (5) or greater units the existing commercial rates based on dumpster service characteristics the Town staff prepared a schedule including all such multi-family properties, their current container/dumpster size and frequency of collection. Based on the service characteristics and corresponding commercial dumpster rates the annual rate/revenue impact was an increase in revenues of \$88,000 or 29%.

While the proposed rate reclassification of multi-family to the commercial rate classification would help stabilize the financial operations of the Solid Waste Enterprise Fund and should more properly reflect the cost of providing dumpster service it would result in a 29% increase in the rates charged to multi-family customers. Furthermore, it should be recognized that the current rates are charged per unit to the individual property owners through a non-ad valorem assessment while changing the rate classification to commercial would necessitate billing each multi-family housing complexes' homeowner's association monthly. Therefore, it is Raftelis' recommendation that this magnitude of operational change should not be implemented prior to engaging the public to fully explain the rationale for such a change. Also, if implemented too quickly it would impose a significant financial burden on the various homeowner's associations and would likely necessitate approving an increase in homeowner's dues. Staff's proposed rate reclassification has merit; however, we believe that the earliest such a change

should be implemented would be beginning with Fiscal Year 2024. This would allow for a full and transparent discussion of the issue and give time for the ratepayers to adjust to the change in the billing method.

We would also recommend that prior to implementing any change to multi-family rate billing methods that the Town undertake a comprehensive rate study to affirm that the solid waste rates are sufficient in the future and to accurately reflect the cost-of-service related to providing solid waste collection service and cost apportionment methods.

COMMERCIAL NON-AD VALOREM ASSESSMENT

As stated previously, the Town charges a minor non-ad valorem assessment to commercial properties in addition to the monthly dumpster rates. The current commercial assessment is based on a rate per square foot of the commercial property grouped into three categories that reflect the estimated volume of waste. The annual revenue from this assessment is approximately \$90,000 or approximately 9.7% of total commercial revenues. To simplify the commercial rate administration, the Town should consider eliminating the current non-ad valorem assessment and correspondingly increasing the monthly rates for commercial solid waste services by an additional 9.7%. This change would essentially be revenue neutral.

We appreciate the opportunity to be of service to the Town and would like to thank the Town's staff for their valuable assistance and cooperation during this study.

Respectfully submitted,

Raftelis Financial Consultants, Inc.



Henry L. Thomas
Vice President