

# Solid Waste Rate Review

Council Auditor's Office

# Purpose of the Rate Review

- A Rate Review is performed every three years pursuant to the hauler contracts and Ordinance Code Section 382.309(b) to determine a proposed monthly rate per residential premise to be paid to a residential hauler.
- The Rate Review process typically begins in February of the rate review year to determine the rate paid to the hauler for the next fiscal year.

# Members of the Rate Review Committee

- The 2024 Rate Review Committee included the following members:
  - Nickii Brookins, Solid Waste Accounting Manager
  - Will Williams, Solid Waste Division Chief
  - Tom Hudson, Solid Waste Compliance Manager
  - Heather Reber, CPA, Principal Auditor, Council Auditor's Office
  - Jeff Rodda, Auditor II, Council Auditor's Office
- Pursuant to Section 7.2.2.1 of the contract, the rate review committee shall be established by the Director of Public Works and include, at a minimum, the Division Chief (or a designee) and a staff member from the Office of the Council Auditor.

# What is Reviewed

- Two most recent years of audited Financial Statements that include the actual expenses incurred related to the residential contract.
- Five months of actual expenses (October – February) for the fiscal year in which the rate review is conducted and a projection of the remaining seven months of expenses (March – September).
- A projection provided by the hauler of the next fiscal year's expenses related to the residential contract.
- Any additional information requested by the Rate Review Committee to validate reasonableness of the proposed expenses of the hauler. Some requested items included:
  - Payroll Information
  - Truck/Vehicle Repair Invoices
  - Parts Invoices
  - Listing of vehicles associated with the residential contract
- The number of premises served by the hauler along with projected increases in growth for the service area.

# 2024 Rate Review – Meridian Submittal

- Meridian submitted to the Rate Review Committee total projected expenses of \$17,120,445 for FY 2024/25.
  - This amount included \$1,500,000 in interest expense that is disallowed pursuant to section 7.2.2.2 of the executed contract.
  - This would bring Meridian’s projected expenses to \$15,620,445.
  - If the maximum 15% mark-up was added to their projected expenses, the total revenue to Meridian would be \$17,963,512.
- The agreed upon premise count was 81,740.
- Based on Meridian’s projected expenditures for FY 2024/25 (excluding Interest Expense) and including the maximum mark-up of 15%, the monthly per premise rate would be **\$18.31**.

# 2024 Rate Review Results

- Expenses of \$15,600,256, which is a difference of \$20,189 from Meridian's submittal (excluding disallowed Interest Expense of \$1,500,000).
- Pursuant to the contract the maximum markup of 15% (i.e. profit to the hauler) was recommended totaling \$2,340,039 based on expenses of \$15,600,256.
- The total paid to the hauler will be \$17,940,295.
- A Premise Count of 81,740 was agreed to.
- Monthly Per Premise Rate of \$18.29
  - $\$17,940,295 / 81,740 = \$219.48$  – Yearly per Premise Rate
  - $\$219.48 / 12 = \$18.29$  – Monthly per Premise Rate
- Separate from the premise rate the fuel caps (in gallons) for the next three years are agreed to:
  - FY 2024/25 - 437,470
  - FY 2025/26 - 441,845
  - FY 2026/27 - 446,264

# Hauler Realized/Projected Profit Margin

<b>Fiscal Year</b>	<b>Expenses (excluding Interest Expense)</b>	<b>Amount Paid/ To be Paid to Hauler</b>	<b>Profit</b>	<b>Profit Margin</b>	<b>Per Premise Rate</b>
21/22 (Audited)	\$15,663,627	\$18,463,719	\$2,800,092	18%	\$22.44 - First 6-Months (Start-Up) \$16.42 - Last 6-Months
22/23 (Audited)	\$14,678,013	\$16,243,949	\$1,565,936	11%	\$16.91
23/24 (Hauler Projected)	\$15,146,617	\$16,907,357	\$1,760,740	12%	\$17.42

24/25 (Hauler Original Request)	\$15,620,445	Not included	Not included	Not Included	Not included
24/25 (Rate Review, Budget, and Ord. 2024-800 Amount)	\$15,600,256	\$17,940,295	\$2,340,039	15%	\$18.29
24/25 (Hauler Updated Request)*	\$15,620,445	\$22,668,137	\$7,047,692	45%	\$23.11

\* The additional \$4.7 million, will further increase the Solid Waste loan amount in FY 24/25 from \$36.6 million to \$41.3 million and the total Solid Waste loan amount will increase to \$100.4 million by 9/30/25. This will cost the City, at a minimum, an additional \$14.1 million over the next three years.

Given there is no guarantee of how the additional funding will be utilized, it is all being shown in the Profit Margin since there are no additional substantiated costs that were submitted during the rate review process.

# Why City Hauler Contract Rates are Different

- Different types of expenses included in contract (carts, fuel, disposal costs, etc.)
- Travel Distance (types/number of routes and distance to landfill)
- Different types of trucks used (Rear Loaders vs. Side Loaders)
- Types and number of routes run (Side loaders will have additional routes for bulky items)

**Council Auditor's Office**  
**Summary of Changes between Ord. 2024-800 and Meridian's updated 9/30/25 Projections**

<b>Total Expenses in Ord. 2024-800</b>	<b>\$ 15,600,256</b>	<b>Comments</b>
Drivers, helpers & oper. wages	578,076	Increase in wages as described was already accounted for in information submitted for Rate Review
Mgrs./Super. wages & salaries	27,595	Wage increase was not mentioned.
CSR wages & salaries	5,303	Wage increase was not mentioned.
Other Salary Changes (Taxes & Benefits)	183,038	Increase to benefits based on increased wages.
Communications	19,933	New tablets for trucks were not mentioned.
Training and Safety	34,943	Increase in training was not mentioned.
Insurance Auto & General	26,698	Increase was not mentioned.
Property Damages	107,166	This is an increase from their original submission of \$39,154. Property damages are to be covered by the hauler pursuant to Section 5 of the contract.
Shop Labor	277,466	The original submission included a 6% reduction when compared to the 9/30/2023 audited expenses of \$606,028. The amount of \$848,718 is an increase of 40% from the 9/30/2023 audited expense. A Wage increase was not mentioned.
Tires/Wheels	46,814	The original submission included a 68% increase for the 9/30/25 projections from the 9/30/23 audited expenses of \$366,414. The amount of \$661,256 is an increase of 80% from the 9/30/2023 audited expense.
R&M Trucks (Parts & Materials)	314,595	The original submission included a 91% increase for the 9/30/25 projections from the 9/30/23 audited expenses of \$221,455. The amount of \$736,612 is an increase of 233% from 9/30/2023 audited expense.
Outside Repair	135,452	Increase was not mentioned.
Shop Supplies	34,759	Increase was not mentioned.
Rent/Lease	34,904	Trailer rental was not mentioned.
Facility Maintenance & Repairs	34,819	Additional repairs were not mentioned. If approved the items mentioned should be depreciated over the useful life of the asset.
Depreciation Operating Assets	131,199	This increase was mentioned.
Professional Fee & Consulting	62,520	Not an operational cost. This was not included in their initial Rate Review submission.
Employee & Community Activity	11,518	Not an operational cost. Originally included \$35,982 in submission and the expense was removed during Rate Review discussions.
Charitable Contributions	62,375	Not an operational cost. Originally included \$2,625 in submission and the expense was removed during Rate Review discussions.
Overhead Allocation	190,348	Increase based on 4% of Gross Revenue
Interest Expense on Equipment Purchases	1,442,242	Not allowed per Section 7.2.2.2 of the contract. Originally included \$1.5 million in submission and the expense was removed.
G&A-Insurance	(280,031)	This is a decrease to their original submission of \$280,031 to reflect the terms of the contract.
Other Increases	16,647	Other adjustments included in Meridian's updated amounts.
Difference	20,189	This is the difference between Meridian's initial submission for Rate Review of \$15,620,455 that excludes Interest and the Rate Review recommended expenses.

**Calculation Error on Meridian's 11/12/24 Information**    \$    **510,414**

**Costs that are prohibited per the contract (see next page)**    \$    **(1,588,562)**

**Meridian's Request per Information Provided 11/12/24**    \$    **19,629,237**

**Costs normally removed during Rate Review (see next page)**    \$    **(175,020)**

**Updated Total Expenses less calculation error**    \$    **19,118,823**

**Updated Total Expenses less items removed**    \$    **17,355,241**

**Number of Premises**    **81,740**

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**Monthly Rate per Premise requested by Meridian**    \$    **23.11**

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**Income Before Taxes**    \$    **3,549,314**

**Income Before Taxes**    \$    **5,312,896**

<b>Markup (Based on Updated Total Expenses)</b>	<b>18.56%</b>
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<b>Markup (Based on Revised Expenses)</b>	<b>30.61%</b>
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**Council Auditor's Office**

**Summary of Changes between Ord. 2024-800 and Meridian's updated 9/30/25 Projections cont'd**

**Calculation with Prohibited/Non-operational Costs Removed**

<b>Updated Total Expenses less calculation error (from Page 1)</b>	<b>\$ 19,118,823</b>	
Interest Expense on Equipment Purchases	\$ 1,442,242	Not allowed pursuant to Section 7.2.2.2. of the contract
Property Damages	146,320	Pursuant to Section 5 of the contract hauler is responsible for property damages
<b>Costs that are prohibited per the contract</b>	<b>\$ 1,588,562</b>	
Charitable Contributions	65,000	Not an operational cost of residential garbage collection
Professional Fee & Consulting	62,520	Not an operational cost of residential garbage collection
Employee & Community Activity	47,500	Not an operational cost of residential garbage collection
<b>Costs normally removed during Rate Review</b>	<b>\$ 175,020</b>	
<b>Total Reduction to Expenses</b>	<b>\$ 1,763,582</b>	
<b>Total Reduced Expenses</b>	<b>\$ 17,355,241</b>	
<b>Markup (Contract allows 10% to 15%)</b>	<b>15%</b>	
<b>Income Before Taxes</b>	<b>\$ 2,603,286</b>	
<b>Number of Premises</b>	<b>81,740</b>	
<b>Monthly Rate per Premise</b>	<b>\$ 20.35</b>	

**NOTE:**

The information above is intended to assist in evaluating the requested expenses of the contract hauler taking into items that are either not allowed or not typically included in contract hauler's expenses. **This is not a recommendation by the Council Auditor's Office.**

**Other Comments:**

- 1. Expenses:** There are not the same types of expenses in each hauler contract. The Service Area III contract has a contract with an outside vendor to provide both garbage and recycling carts at a cost of \$235,000. The City provides recycling carts for Meridian. Garbage carts are not provided to citizens in Meridian's territory.
- 2. Travel Time:** According to Solid Waste Division the difference between Meridian and the Service Area III contractor travel time at 10am and 2pm is a difference of 2 minutes with each traveling 39 miles.
- 3. Trucks:** Meridian had 8 Side Loaders for recycling and 40 Rear Loaders. The Service Area III contractor has 42 Side Loaders and 19 Rear Loaders
- 4. Types and Number of Routes:**  
 Meridian - 43 Routes per day (22 Garbage, 14 Yard Waste, 7 Recycle) Uses Rear Loaders which are less expensive to maintain and can eliminate the need for Bulk Routes.  
 Service Area III Contractor - 51 Routes per day (23 Garbage, 12 Yard Waste, 11 Recycle, 5 Bulk) Uses Side Loaders which are more expensive initially and to maintain. Separate routes are needed for Bulk pick-up.

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**GAY AMENDMENT**

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Council Member Gay offers the following amendment to File No. 2024-853:

- (1) On **page 1, lines 5-6 and page 2, line 1, strike** "from a Special Council Contingency" and **insert** ", including \$152,362 from a Designated Special Council Contingency and \$47,638 from Council District 2 discretionary funds from the Special Committee on Parks and Quality of Life originally appropriated by Ordinance 2023-348-E,";
  - (2) On **page 1, line 24, strike** "Exhibit 1" and **insert** "Revised Exhibit 1, labeled as "Revised Exhibit 1, Rev B.T., November 18, 2024 - NCSPHS"";
  - (3) On **page 1, lines 27 and 29, strike** "Exhibit 1" and **insert** "Revised Exhibit 1";
  - (4) On **page 2, line 16, strike** "Exhibit 2" and **insert** "Revised Exhibit 2, labeled as "Revised Exhibit 2, Rev CIP Sheet, November 18, 2024 - NCSPHS"";
  - (5) Remove **Exhibit 1** and replace with **Revised Exhibit 1**, attached hereto, which attaches the revised B.T. to reflect an additional funding source;
  - (6) Remove **Exhibit 2** and replace with **Revised Exhibit 2**, attached hereto, which attaches the revised CIP Project Information Sheet to reflect the revised FY 24-25 funding sources for the project;
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(7) On **page 1, line 1**, amend the introductory sentence to add that the bill was amended as reflected herein.

Form Approved:

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Office of General Counsel

Legislation Prepared By: Mary E. Staffopoulos

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**City of Jacksonville, Florida  
Request for Budget Transfer Form**

Parks, Recreation & Community Services  
 Department or Area Responsible for Contract / Compliance / Oversight 2 Council District(s)  
 Reversion of Funds: 32124-224001-565051-000000-00001518-00000-0000000 (up to \$47,638) All-Years  
 (if applicable) Fund / Center / Account / Project \* / Activity / Interfund / Future Fiscal Yr(s) of carry over (all-years funds do not require a carryover)  
 Section of Code Being Waived (if applicable): \_\_\_\_\_ CIP (yes or no): Yes  
 Justification for Waiver \_\_\_\_\_

Justification for / Description of Transfer:  
 Appropriates \$152,362 from the designated Special Council Contingency for the 2024/25 Council Strategic Plan and \$47,638 from Council District 2 Discretionary funds from the Special Committee on Parks & Quality of Life (Ord. 2023-348-E) to construct a storage facility at the San Mateo Little League Park.

Net Amount Appropriated and/or Transferred: \$200,000.00  
 \* This element of the account string is titled project but it houses both projects and grants.

**CITY COUNCIL**

Requesting Council Member: CM Gay CM's District: CD 2  
 Requesting Council Member: \_\_\_\_\_ CM's District: \_\_\_\_\_  
 Prepared By: \_\_\_\_\_ Ordinance: \_\_\_\_\_

**OFFICE OF THE MAYOR**

BUDGET ORDINANCE  TRANSFER DIRECTIVE

Date Rec'd.	Date Fwd.	Approved	Disapproved

Department Head  
 Mayor's Office  
 Accounting Division  
 Budget Division

Date of Action By Mayor: \_\_\_\_\_ Approved: \_\_\_\_\_  
 Division Chief: \_\_\_\_\_ Date Initiated: \_\_\_\_\_  
 Prepared By: \_\_\_\_\_ Phone Number: \_\_\_\_\_  
 Initiated / Requested By (if other than Department): \_\_\_\_\_

Budget Transfer Line Item Detail

\* This element of the account string is titled project but it houses both projects and grants.

**TRANSFER FROM:** (Revenue line items in this area are being appropriated and expense line items are being de-appropriated.)

Rev Exp	Fund Title	Activity / Grant / Project Title	Line Item / Account Title	Amount	Accounting Codes							
					Fund	Center	Account	Project *	Activity	Interfund	Future	
				Total: \$352,362.00								
EXP	General Fund Operating	Special Council Contingency	Contingency	\$152,362.00	00111	195001	599100	000000	00000906	00000	0000000	
EXP	Authorized Capital Projects - FY23 and Forward	Council District 2 - Miscellaneous-Activity	DM Other Construction Costs	\$47,638.00	32124	224001	565051	000000	00001518	00000	0000000	
REV	Authorized Capital Projects - FY23 and Forward	San Mateo Little League Complex	Interfund - Transfer In	\$152,362.00	32124	191040	381910	007731	00000000	00111	0000000	

**TRANSFER TO:** (Revenue line items in this area are being de-appropriated and expense line items are being appropriated.)

Rev Exp	Fund Title	Activity / Grant / Project Title	Line Item / Account Title	Amount	Accounting Codes							
					Fund	Center	Account	Project *	Activity	Interfund	Future	
				Total: \$352,362.00								
EXP	General Fund Operating	TRAN Interfund Transfer - Interfund Group Transfer	Interfund - Transfer Out	\$152,362.00	00111	191040	591910	000000	00000000	32124	0000000	
EXP	Authorized Capital Projects - FY23 and Forward	San Mateo Little League Complex	Other Construction Costs	\$152,362.00	32124	167101	565050	007731	00000000	00000	0000000	
EXP	Authorized Capital Projects - FY23 and Forward	San Mateo Little League Complex	DM Other Construction Costs	\$47,638.00	32124	167101	565051	007731	00000000	00000	0000000	

**Project Title:** San Mateo Little League Complex **Council District(s):** 2  
**Project Location:** 1185 Kraft Rd. **Project Number:** 007731  
**Department:** Parks, Recreation & Community Services **Program Area:** Parks / Preservation Land / Wetland  
**Ordinance No.:** **BT No.:**  **Useful Life:**  **Project Completion Date:** TBD

**Project Description:**  
 Additional funding is being provided for the construction of a storage facility. Prior project funding included land acquisition and construction of park.

**Justification:**  
 This is needed to continue to provide recreational facilities to the citizens.

Funding Sources	Total	Prior Years	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Transfer Between Projects	\$ -						
Debt Proceeds / Borrowed Funds	\$ 1,300,906	1,253,268	47,638				
Pay-Go	\$ 248,812	96,450	152,362				
Interest Earnings	\$ -						
Contribution from Private Source	\$ 191,354	191,354					
Grant / Trust Fund	\$ -						
<b>Totals</b>	<b>\$ 1,741,072</b>	<b>\$ 1,541,072</b>	<b>\$ 200,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Expenditures/Project Phase	Total	Prior Years	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Design & Engineering	\$ -						
Land Acquisition & Site Preparation	\$ 813,953	813,953					
Construction	\$ 927,119	727,119	200,000				
Capital Equipment	\$ -						
Misc. Equipment & Furnishings	\$ -						
Art In Public Places	\$ -						
<b>Totals</b>	<b>\$ 1,741,072</b>	<b>\$ 1,541,072</b>	<b>\$ 200,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Operating Budget Impact	Prior Years	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Full Time Equivalents	-					
Personnel Expenses	\$ -					
Contractual Services	\$ -					
Utilities	\$ -					
Materials/Supplies	\$ -					
Equipment	\$ -					
Annual Debt Service	\$ -					
<b>Totals</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>