



## TECHNICAL MEMORANDUM

**TO:** Jay Gewin  
Key West Utilities Manager

**FROM:** Robin Mitchell  
Project Manager

**DATE:** November 1, 2012

**SUBJ:** Evaluation of Waste Management's October 22, 2012 Proposals

**PROJ #:** 120-00.00

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As requested, Kessler Consulting, Inc. (KCI) evaluated the collection contract proposals dated October 22, 2012 submitted by Waste Management (WM) to the City Manager. Provided herein are our comments on these proposals.

### BACKGROUND

On August 29, 2012, the City Commission passed Resolution No. 12-253, which directed staff, with assistance from KCI, to negotiate with WM changes to the collection contract, and within the remainder of the term of the contract, necessary to implement the Phase I recommendations contained in the Solid Waste Master Plan. The Phase I recommendations that are relevant to the collection contract include the following:

- Carted collection of single stream residential recyclables with revenue to the City.
- Once per week collection of solid waste, recyclables and segregated yard waste.
- Implementation of a comprehensive multi-family recycling program.
- Commercial recycling collection fees equal to solid waste collection fees (not including disposal).
- Expanded (single stream) recycling service for businesses.
- Reporting as requested by the City.
- Comprehensive public outreach.

### EVALUATION OF PROPOSALS

Although Resolution No. 12-253 specified that negotiated terms were to be reached within the remainder of the current contract term, WM submitted two proposals: one within the existing term and one with a three-year contract extension in addition to the two years remaining in the current term. Ten negotiating points were addressed in the two proposals submitted by WM, and are summarized in the table below, along with KCI's comments.

Negotiation Point	No Extension Proposal	3-Year Extension Proposal	KCI Comments
1. Recycling revenue	No revenue share.	\$30/ton revenue share. No revenue share will be paid for tons delivered to the transfer station by self-haulers.	Although not required by contract, we have consistently stated the City should be sharing in recycling revenue, as do many other communities around the state. We continue to believe the City should receive recycling revenue, even with no contract extension. In addition, we would not recommend a set revenue amount for 5 years.
2. Fee for metals/white goods	WM will eliminate current fee for transport and share 80% of revenue with City after deducting transportation cost.	Same as no extension proposal.	As we previously stated, the City should be receiving revenue for scrap metals/white goods rather than paying WM \$21.60 for transport and removal. The proposal seems acceptable; however, the City should confirm that revenue will never drop below zero.
3. Recycling carts	WM will provide space to store an inventory for city-provided carts. WM will deliver new or replacement carts after the initial citywide distribution. WM will provide cart maintenance to all the carts in city program.	Same as no extension proposal.	Because the City is purchasing new carts, this should have limited impact on WM.
4. 1-1-1 collection	WM will provide 1-1-1 collection at no additional charge.	WM will provide 1-1-1 collection at no additional charge. Within the next two years, WM will discuss approved methods of beneficial reuse of yard waste.	Use of yard waste as landfill cover may be an acceptable short-term solution; however, a more beneficial end use (e.g., composting) should be initiated prior to the end of the current contract.
5. HHW and E-waste service	WM will add residential E-waste to its HHW collection at no additional charge, once per month.	Same as no extension proposal.	This is a service WM should already be providing pursuant to its commitments during the 2009 contract extension negotiations.
6. Equal collection charges for commercial solid waste and recycling	Commercial recycling collection charges will be the same as solid waste.	Same as no extension proposal.	Commercial recycling and solid waste collection fees were identical in the original contract; therefore, this "change" is reverting back to what city staff has indicated was always the intent of the contract.

Negotiation Point	No Extension Proposal	3-Year Extension Proposal	KCI Comments
7. Single stream recycling for businesses in various container sizes	WM will provide this service.	Same as no extension proposal.	To be effective, commercial customers will need to be educated about the availability of single stream recycling and how it might benefit them.
8. Reporting	WM will provide reports in the format requested.	Same as no extension proposal.	This is consistent with existing contract requirements.
9. Education program	WM will promote an educational program designed for Key West.	WM will promote an educational program designed for Key West. In addition, WM will contribute \$12,000/year toward education and collaboration with the city's green and sustainability program.	WM's proposal lacks specificity as to how it will educate customers. The City and the contractor will need to work cooperatively on an education campaign, but the City should have final approval of any media releases.
10. Commitment to implement Phase II recommendations after Phase I is achieved	WM will work with the city on implementation of Phase II.	Same as no extension proposal.	Successful implementation of Phase I recommendations will provide a strong indication of the commitment to work together to achieve future program changes to maximize recycling.
Financial Impact/Year (as provided by WM)	Avoided disposal (assuming 40% increase in recycling tonnage from converting to carts) - \$105,120	Recycling revenue (assuming 40% increase in tonnage from converting to carts) - \$151,200 Avoided disposal (same 40% assumption) - \$105,120 Education fund - \$12,000  Plus, WM investment of \$2.268MM to transport and process material.	WM is offering the City approximately \$163,000 per year (the difference between the 3-year and no extension offers) for the next two years (if the City goes out to bid in 2 years, it should receive the same or perhaps greater benefits as those proposed by WM). In return, WM is asking the City to forego putting this \$5MM per year contract out to bid until 2017. We do not believe this is a good business decision, and think the City would be better served by competitively bidding the contract to get the most competitive rates and revenue.  Regarding the \$2.268MM claim, this appears to be WM's calculation of expenses, which would be offset by recycling revenue and is already taken into consideration in the fact that WM is not willing to share any revenue without a contract extension.

## RECOMMENDATIONS

WM's no extension proposal (for 2 remaining years of contract) lacks key elements to support the City's recycling program, most importantly a recycling revenue share. Although not required in the current contract, we believe the City should be receiving recycling revenue. However, in order to progress with the Phase I recommendations as quickly as possible, KCI believes this proposal is an acceptable choice for the City.

We do not believe it is in the City's best interest to approve WM's three-year contract extension proposal (2 remaining years plus 3-year extension). At the expiration of the current term (December 2014), the collection contract will not have been competitively bid for 15 years. To ensure the City is getting the best deal possible, we recommend this contract, valued at approximately \$5 million dollars annually, be competitively bidding at the end of the current term.

In summary, KCI recommends the City move forward with the no extension proposal and initiate a competitive procurement at least 18 month prior to contract expiration.

If you have any questions regarding our comments, please do not hesitate to contact Mitch Kessler or me.

xc: Bob Vitas, City Manager  
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