

RESOLUTION NO. 21-259

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF KEY WEST, FLORIDA, ACCEPTING THE ATTACHED CONTRACT AMENDMENT REQUEST FROM WASTE MANAGEMENT OF FLORIDA, INC. (WMI) FOR AMENDMENTS TO SOLID WASTE AND RECYLING COLLECTION SERVICE RATES FOR RESIDENTIAL AND COMMERCIAL UNITS; PROVIDING FOR AN EFFECTIVE DATE

WHEREAS, on May 6, 2014, the City Commission awarded the bid of Waste Management Inc. (WMI) of Florida in response to ITB 14-009, and on June 25th, 2014 a Contract was executed for the collection, transfer and disposal of solid waste and recyclable materials and transfer station operation; and

WHEREAS, in Resolution No. 14-254, the City Commission approved a First Amendment to Contract, and in Resolution No. 16-048 the City Commission approved a Second Amendment to Contract; and

WHEREAS, Waste Management, Inc. has proposed certain changes to the contract, including amending the current cost index from CPI-U to CPI-WST (water, sewer, trash), along with other adjustments to commercial and residential waste and recycling fees not contemplated in the current agreement; and

WHEREAS, the City's contract with Waste Management will be eligible for a renewal for an additional four years, pursuant to the current contract, effective January 1, 2022, and the City Commission finds it acceptable to adjust the contract prior to the renewal period; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF KEY WEST, FLORIDA, AS FOLLOWS:

Section 1: That the City Commission hereby accepts the attached contract amendment request from Waste Management of Florida, Inc. for amendments to residential and commercial solid waste and recycling collection service rates.

Section 2: That this Resolution shall go into effect immediately upon its passage and adoption and authentication by the signature of the Presiding Officer and the Clerk of the Commission.

Passed and adopted by the City Commission at a meeting held this 16th day of November, 2021.

Authenticated by the Presiding Officer and Clerk of the Commission on 29th day of November, 2021.

Filed with the Clerk on November 29, 2021.

Mayor Teri Johnston	<u>Yes</u>
Vice Mayor Sam Kaufman	<u>Yes</u>
Commissioner Gregory Davila	<u>Yes</u>
Commissioner Mary Lou Hoover	<u>Yes</u>
Commissioner Clayton Lopez	<u>Yes</u>
Commissioner Billy Wardlow	<u>Yes</u>
Commissioner Jimmy Weekley	<u>Yes</u>



TERI JOHNSTON, MAYOR

ATTEST:



CHERYL SMITH, CITY CLERK



THE CITY OF KEY WEST

Post Office Box 1409 Key West, FL 33041-1409 (305) 809-3700

MEMORANDUM

TO: Patti McLauchlin, City Manager

Cc: Todd Stoughton, Assistant City Manger

FROM: John Paul Castro, Utilities Director

DATE: November 4th, 2021

SUBJECT: Waste Management, Inc. Collections Contract Amendment

Action Statement:

Amending the collections contract with Waste Management, Inc. to increase the residential collections rate, increase the commercial service fee, changing the adjustment index from CPI-U to CPI-WST.

Background:

The city advertised a bid for solid waste and recycling services in 2014 with contract services to begin on January 1, 2015. The city commission awarded the contract to Waste Management, Inc. (WMI) with an initial term of 7 years plus the availability of 2 additional 4-year extensions. The initial 7-year term expires December 31, 2021. There were two amendments approved by the commission, resolution 14-254 and 16-048.

The contract renewals are unilateral city options that extend the current terms and conditions, plus amendments.

WMI Request:

On April 1, 2021 the city received a request from WMI to increase rates and change indexes as listed below:

- Replace current index of CPI-U to CPI-WST (water, sewer, trash).
- Increase the residential rate from \$14.36 to \$16.01 per month. The request is to make up for difference from CPI-U to CPI-WST for the initial term of the contract.
- 5% increase to the commercial service fee.
- Add a processing fee for commercial recycling equal to \$5.50 per cubic yard (per WMI, value of recycling has no profit).

Key to the Caribbean – Average yearly temperature 77° F.

Agreement:

On November 3, 2021, City staff and WMI agreed on terms that are mutually beneficial. The terms are as follows:

- Replace current index of CPI-U to CPI-WST with a 2.5% annual cap.
- Increase the residential rate \$0.87 from \$14.36 to \$15.23 per unit per month.
- Increase the commercial service fee 2.5%.
- City to negotiate commercial recycling processing cost with WMI no later than December 31, 2022.

In return the City would receive the following:

- WMI must provide and change heavy duty 3.0 mm trash bags for all city right-of-way cans every pick-up.
- Collection fee adjustment of WST will take affect October 1, 2022. WST adjustments will be based on the change in the index, rounded to the nearest hundredth, from February of the previous year to February of the current year.
- Contractor must maintain third party contracts for transfer station office and restroom cleaning as well as grounds maintenance, including but not limited to mowing, edging, and weed control.
- WMI is required to permanently stencil the address and pick-up days of the week on all commercial carts.
- WMI to provide new or clean/newly painted containers, when requested by the City for projects promoting art, recycling, or beautification. The city will make the final decision for placement of the improved carts.
- City cans are a non-exclusive service that must be provided at the request of the City. The City shall provide 30 days' notice to implement or cancel city can service.
- WMI will provide a "Green Business" recycling survey.
- WMI is to conduct a baseline waste composition study to benchmark commodities and contamination levels.
- Quarterly reviews with City staff related to best practices sharing and outstanding opportunities with the business establishments.

The effects of the terms as agreed upon are as follows:

Residential

- Increase of \$0.87 per house/unit to WMI will cost solid waste \$124,046.00, in 2022.
- Changing the index to WST will create an increase over current costs of \$302,062.00, in 2023.

Commercial

- 2.5% increase service fee will cost a medium-size restaurant ~\$14.21 per month (\$170.52/year) for garbage and a school ~\$94 per month (\$1,128/year) for garbage (this example is from actual accounts).

Options:

1. Accept Waste Management's contract amendment request.
2. Deny the Waste Management contract amendment request, renew the contract with current terms and conditions, including amendments, prior to December 31, 2021.
3. Deny the Waste Management contract amendment request, direct staff to advertise the services for new proposals.

Recommendation:

Staff recommends amending the contract as agreed upon by City staff and WMI, to become effective January 1, 2022.



THE CITY OF KEY WEST
Post Office Box 1409 Key West, FL 33041-1409 (305) 809-3700

November 2, 2021

Patti McLauchlin
City of Key West - City Manager
1300 White St.
Key West FL, 33040

Waste Management Inc. Contract Amendments

Greg Sullivan
Waste Management Inc.
2700 Wiles Road
Pompano Beach, FL 33073

Dear Mr. Sullivan,

Below is the City's proposal to cost increase requests from WMI. Agreement to the proposal by close of business tomorrow, November 3rd, will be necessary to meet the November 16th commission agenda. The City intends to extend the contract with WMI on December 7th, the final agenda of the calendar year. Any future contract correspondence and amendments will not be codified in this contract term. The City proposes:

- Commercial Trash Service Fee increase of 2.5%
- Residential Collection Fee increase of \$.87 per unit per month
- Collection Fee Adjustment index changed to WST with a 2.5% cap
- Negotiate commercial recycling processing cost with WMI to be finalized no later than December 31st, 2023

Conditional to approving the increase costs requested by WMI the City requests the amendments and additions to the contract below. The requests are in principle and will be finalized for official contract amendments prior to commission approval.

- WMI must provide and change at every pick-up heavy duty 3.0mm trash bags for all city right-of-way cans
- Collection fee adjustment of WST will take affect October 1, 2022. WST adjustments will be based on the change in the index, rounded to the nearest hundredth, from February of the previous year to February of the current year
- Contractor must maintain third party contracts for transfer station office and restroom cleaning as well as grounds maintenance, including but limited to mowing, edging, and weed control



THE CITY OF KEY WEST

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- WMI is to permanently stencil the address and pick-up days of the week on all commercial carts
- WMI to provide new or clean/newly painted containers when requested by the City for projects promoting art, recycling, or beautification. The city will make the final decision for placement of the improved carts
- City cans are a non-exclusive service that must be provided at the request of the City. City shall provide 30 days' notice to implement or cancel city can service
- WMI provides a "Green Business" Recycling Survey
- WMI is to conduct a baseline composition study to benchmark commodities and contamination levels
- Quarterly reviews with City staff related to best practices sharing and outstanding opportunities with the business establishments

The City believes the increase in costs and additional amendments represent the best value to the citizens and visitors to the City of Key West as well as WMI. Due to short-term future initiatives the City has planned for yard-waste composting and reuse of recycled glass the City would like to work with WMI on a composition study and finalize the compost pilot program prior to agreeing to fees for commercial recycling cost increases.

Regards,

Patti McLauchlin
City Manager



**Waste Management Inc. of Florida
3411 N. 40th Street
Tampa, Florida 33605
Cell 716-913-9146**

September 21, 2021

Ms. Patti McLauchlin
City Manager
City of Key West
1300 White Street
Key West, FL 33040

Dear Ms. McLauchlin:

In response to the City's final counter proposal dated August 30, 2021 and subsequent meeting September 8th, Waste Management Inc. of Florida (WMIF) is pleased to provide the City of Key West with a revised offer concerning an extension to the current solid waste franchise agreement.

The items set forth herein are part of a comprehensive package. Agreement by WMIF is subject to agreement by the City of the entirety of the proposal. Effective January 1, 2022:

- Commercial Recycling Processing Fee of \$3 per cubic yard or \$.93 per 64-gallon cart
- Commercial Trash Service Fee Increase of 2.5%
- Residential Collection Fee increase of \$.87 per unit per month
- Collection Fee Adjustment index changes to WST with a 2.5% cap per year.

In addition to the above, effective October 1, 2022:

- Commercial Recycling Processing Fee will be adjusted by an additional \$2.50 per cubic yard or \$.83 per 64-gallon cart
- Residential Collection Fee increase of \$.83 per unit per month
- These rates will be adjusted by the annual WST prior to the proposed increase.

Additional terms:

- WMIF must provide and change at every pick-up heavy duty 3.0mm trash bags for all city right-of-way cans.
- Collection Fee adjustment of WST will take affect October 1, 2022. WST adjustments will be based on the change in the index, rounded to the nearest hundredth, from February of the previous year to the February of the current year.
- Contractor must maintain third party contracts for transfer station office and restroom cleaning as well as ground maintenance, including but limited to mowing, edging, and weed control.
- WMIF to stencil commercial address of container customer with required service days of the week.

WMIF does not agree to an additional four-year City option extension of original terms and conditions plus amendments. Instead, WMIF requests that the second renewal be mutual (with WMIF agreeing to provide 545 days' notice of its intent to not renew if such is the case). Further, WMIF cannot waive its right to request cost increases for commercial recycling due to change in law if the Commission creates a mandatory single stream commercial recycling ordinance. This is due to the many unknowns regarding the program the City ultimately implements.

As discussed in our meeting September 8th, neither the City nor WMIF understands the financial implications following Board Approval to implement Mandatory and Incentivized Recycling for Businesses as part of the City's 2021-2024 Strategic Plan. Financial implications to WMIF include but are not limited to:

- Reduced commercial MSW revenue
- Increased commercial recycle rate adjustment that requires petition and City Commission approval for cost increase and/or recovery due to circumstances beyond our control
- Increased fleet and container capital
- Increased number of drivers to service 50% more recycling throughout the City at higher wages than originally anticipated at contract inception
- Increased WM staff related to site surveys and right-sizing proposals
- Increased recycle contamination:
 - Business owners will discover they pay less to dispose of contaminated recycle versus MSW
 - Container space constraints
 - Decreased recycle quality when commercial customers are "forced" to Recycle
- Unknown open market recycle service providers and their impact with the City

WMIF agrees to one four-year extension effective January 1, 2022 to December 31, 2025 that allows the City and WMIF to collaborate as the City seeks implementation of Mandatory and Incentivized Recycling for Businesses. Within the first two extension years, the City and WMIF agree to address financial implications, including but not limited to those mentioned above. The City and WMIF will mutually agree to the second four-year renewal period January 1, 2026 to December 31, 2029 with WMIF providing 545 days' notice of its intent to not renew the final extension period if such is the case.

WMIF proposes collaboration efforts related to implementation of Mandatory and Incentivized Recycling for businesses as follows:

- "Green Business" Recycle Survey
- Conduct a baseline composition study to benchmark commodities and contamination levels.
- Quarterly reviews with City Staff related to Best Practice Sharing and Outstanding Opportunities with the business establishments.

Waste Management remains committed to our partnership with the City of Key West and we will continue to provide exceptional service to your community. Thank you, and we look forward to hearing from you regarding our request.

Sincerely,

Lisa A. McNeight

Lisa A. McNeight
Area Public Sector Solutions Director

Cc: Greg Sullivan, Sr. District Manager
Henry Sori, Government Affairs



**WASTE MANAGEMENT OF
THE FLORIDA KEYS, INC.**

125 Toppino Industrial Dr
Rockland Key, FL 33040
(305) 296-8297
(305) 296-8175 Fax

June 14, 2021

John Paul Castro Utilities Director
City of Key West

Reference: Commercial Recycling

JP, regarding on going conversations concerning commercial recycling Waste Management offers the following. As you know during initial conversations Waste Management asked for a recycling processing and transportation fee of \$11.80 per yard. We took into consideration changing markets and the residential increase of \$1.70 per home that will be applied to the recycling costs of processing and transportation.

After much consideration Waste Management is reducing the ask to \$5.50 per yard as a processing and transportation fee. This still provides a financial advantage for commercial customers to recycle. Please confirm receipt of this update. We look forward to further discussions.

Respectfully

Greg Sullivan

A handwritten signature in black ink that reads 'Greg Sullivan' in a cursive script.

Sr. District Manager

CC: Mayor, City Commissioners, City Attorney, Patti McLauchlin, Todd Stoughton



WASTE MANAGEMENT INC. OF FLORIDA
3401 NW 110th Street
Miami, FL 33167

April 2, 2021

Mr. Gregory W. Veliz
City Manager
City of Key West
1300 White Street
Key West, FL 33040

Re: City of Key West Contract to Provide Solid Waste Collection and Processing Services and Operation of the Transfer Station

Dear City Manager Veliz:

Waste Management Inc. of Florida (WMIF) has had the privilege of servicing the City of Key West with its Solid Waste needs for the past 21 years. WMIF values this long-standing relationship, we have not only been providing great service to the residents and businesses of the City but have been part of the community fabric throughout these past decades. Our Senior District Manager, Greg Sullivan, together with City Elected Officials, Staff and the community-at-large have weathered hurricanes, pandemics, Fantasy Fest and New Year's crowds. This is a relationship we wish to continue and foster.

To that effect, as you are aware, the current Contract expires December of this year and it contains a four (4) year extension option. In order for WMIF to continue providing the excellent service the City deserves and to assure that the Contract is on solid ground moving forward, we respectfully request the following modifications to the Contract:

- A modest increase of \$1.70 per home to the residential line of business (in the past six plus years the residential rate has only increased by .80 cents per month -- \$13.51 to \$14.31).
- A 5% increase to the commercial line of business (in the past six plus years per yard rates have only increased \$.52 cents per yard average -- \$8.55 to \$9.07).
- Conversion of the CPI-U Index to the Water Sewer & Trash (WST) Index -- unlike more general CPI indices, WST is specific to the services provided in the Waste Industry -- which involves labor, transportation vehicles, parts, disposal, processing and environmental compliance/protection. In addition, WST helps stabilize rates.
- A transportation and processing fee for commercial recycling equal to 90% of what the commercial per yard disposal rate is. Given that these materials are transported and processed much like MSW the costs are the same or higher. The recycling market has changed dramatically since 2014, in order to maintain the current program of materials for residential and commercial accounts these fees are necessary.

Please advise if you would like to meet to further discuss or have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'HFS', with a horizontal line extending to the right.

Henry F. Sori
Government Affairs Manager

cc: Greg Sullivan
Senior District Manager, WMIF