



THE CITY OF KEY WEST

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MEMORANDUM

EXECUTIVE SUMMARY

TO: Key West City Commissioners

FROM: Bob Vitas, City Manager

DATE: October 26, 2012

RE: **Directing the City Manager to Approve Amendments to the City's Solid Waste and Recycling Collection Contract with Waste Management, Inc.**

ACTION STATEMENT:

This resolution will direct City Staff to approve modifications to the City's solid waste and recycling Collection contract with Waste Management, Inc. over the two years remaining in the contract. These modifications will be drafted into a future contract amendment that will be approved by the City Commission.

Staff is also directed to begin preparation of bid documents for the subsequent solid waste and recycling collection contract.

BACKGROUND:

At a special City Commission meeting to discuss the final recommendations of the City's Solid Waste Master Plan on August 29, 2012, the City Commission passed Resolution 12-253 that included the following points:

- The Solid Waste Policy Statement from the Solid Waste Master Plan was adopted.
- City Staff was directed to implement the Phase I Recommendations contained in the Master Plan.
- City Staff, with the assistance of Kessler Consulting, Inc was directed to negotiate with Waste Management regarding proposed revisions for the remainder of the term of the City's existing contract which are necessary to implement the Phase I Recommendations contained in the Solid Waste Master Plan.
- That by October 29, 2012, City staff is directed to recommend to the City Commission whether to accept or reject the proposed negotiated

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

revisions to the City's existing contract with Waste Management necessary to implement the Phase I Recommendations contained in the Solid Waste Master Plan.

- In the event the City Commission and Waste Management have not reached an agreement by October 29, 2012, City Staff is directed to generate a Request for Proposals pertaining to the collection of solid waste and recycling.

City Staff and representatives from Waste Management met several times prior to the October 29th deadline. The negotiated agreement for the two year remainder of the contract would be as follows:

- 1) The City would receive no revenue share for recycled materials
- 2) The City would receive an 80% share of revenue from the recycling of white goods and metals after Waste Management's transportation costs are deducted. The current \$21.60 fee for white goods and metals would be removed.
- 3) When recycle carts are purchased for our residents, Waste Management will provide space to store them temporarily, and will deliver new or replacement carts after initial citywide distribution. Waste Management will provide cart maintenance to all recycle carts under the City's program, similar to the existing policy with the trash carts.
- 4) Waste Management will partner with the City to shift to a one trash/one recycling/one yard waste pickup per week program at no additional cost. The yard waste would be used as landfill cover material, which City Staff believes is a temporary solution.
- 5) Waste Management will add residential e-waste to its household hazardous waste collection at no additional charge, and increase frequency of these events to once a month.
- 6) For commercial customers, the collection charges for recycling and trash containers will be the same.
- 7) Waste Management will provide single-stream recycling in containers sizes ranging from carts to dumpsters to roll-offs for all businesses wishing to participate.
- 8) Waste Management will provide all required monthly reports to the City in an Excel spreadsheet format.
- 9) Waste Management will promote an educational program designed for Key West.
- 10) Waste Management will work with the City on the implementation of Phase II Recommendations from the City's Solid Waste Master Plan.

Although the City Commission resolution only directed staff to negotiate changes only to the remaining two years of the contract, Waste Management proposed the following offer to the City if it was willing to extend the term of the contract an additional three years. These items are in addition to numbers 2 through 10 listed above:

- 1) Waste Management will pay the City \$30 per ton for all recyclables, except for those tons that are dropped off by self-haulers to the City's Transfer Station.
- 2) Waste Management will pay the City an additional \$12,000 per year to help promote an educational program for the City.
- 3) At the end of the contract's remaining two years, Waste Management will propose approved methods for beneficial use of yard waste besides landfill cover.

The current contract with Waste Management was a five-year contract with two additional five year options. We are currently approximately 3 years into the final 5 year option that is slated to expire December 31, 2014, which would represent the contract running a full 15 years. The City

Commission could only extend the contract if it determines it is in the best interest of the City, as the existing contract does not have any additional options for extension.

PURPOSE AND JUSTIFICATION

It is unreasonable to expect any improvement to the City's current 8% recycling rate without implementing changes to the City's current solid waste collection contract and by continuing the same collection program for residents and businesses.

The proposed amendments for the two year contract are consistent with what the City seeks to achieve through the Phase I Recommendations of the Solid Waste Master Plan. However, it does not include any revenue to the City from the value of recyclables. Waste Management is only offering this revenue share for recycling if their contract is extended three years. Waste Management as part of their negotiation with the City had originally sought a five year extension.

Kessler Consulting has informed the City that we are currently in a very competitive bid market for solid waste and recycling collection services. They anticipate four firms could bid if a request for proposal was issued.

Collection rates for residents and businesses are currently governed by a contract that began back in January of 2000. It is the general policy belief of City Staff that competitive procurement can help deliver the best prices to the City, its residents, and its businesses. Even on long-term contracts that require a significant capital investment from our vendors, the scheduled procurement process can assure all that prices are competitive in the marketplace. Examples of this include the most recent ambulance contract, City property/liability and workers compensation insurance programs, and the upcoming sewer and stormwater contract that Staff plans on bidding later this year.

In order to be adequately prepared to continue solid waste and recycling collection services at the end of this term, it is critical that bid documents be prepared at least a year and a half before contract termination. Sufficient time needs to be allowed for the competitive procurement process, contract negotiation and award, infrastructure purchase and receipt from a possible prospective new contractor, and time to prepare routes and schedules.

OPTIONS / ADVANTAGES / DISADVANTAGES:

1. The City Commission can approve the proposed amendments for the remaining two years of the Waste Management contract. The City would begin preparation of bid documents for the subsequent solid waste and recycling collection contract .
2. The City Commission can choose to extend the term of the Waste Management Contract an additional three years with the amendments that would include the recycling revenue share proposal.
3. The City Commission can choose to continue the existing solid waste and recycling collection contract as it presently exists.

FINANCIAL IMPACT:

The City has budgeted \$2,174,474 for collection of residential solid waste, and \$447,390 for collection of residential recycling totaling \$2,621,864 for FY 2013. The Master Plan estimated the value of the commercial collection contract for Waste Management at \$2.66 million for 2011. Therefore the combined total value of the solid waste and recycling collection contract would make this contract one of, if not the most valuable of any from City government.

The amendments proposed for the remaining two years would offer some new revenue for white goods/metals. However, Waste Management claims the following revenue breakdown for the City if the contract were to be extended 3 years. These figures represent five year revenue totals (The two years remaining on the existing contract plus a three year proposed extension):

Projected recycling revenue (based on 5,040 tons)	\$756,000
Education Fund	\$ 60,000
<u>Disposal cost savings from converting solid waste tons to recycling</u>	<u>\$473,043</u>
Total for five years	\$1,289,040

Additionally, Waste Management states that they will incur \$2,268,000 in transportation costs for recyclables over the five year period. However, in the City and Kessler Consulting’s opinion, it should be noted that these recycling commodity revenues would bring a profit that would far exceed the \$2,268,000 in transportation costs. It should also be considered that new revenue would be received from any contractor assuming the contract were to be bid after two years. A competitive bid could result in a higher total than this proposal, however the actual revenue potential from a bid cannot be guaranteed.

RECOMMENDATION:

The City Commission gave Staff limited direction via Resolution 12-253 to negotiate amendments over the remaining two year term that would help the City accomplish the Phase I Recommendations of the Solid Waste Master Plan. As a result of this limited scope, Staff recommends that the City Commission select option 1, the approval of the amendments for the remaining two years of its solid waste and recycling collection contract with Waste Management. City staff also recommends that the Commission give staff direction to begin preparing bid documents for the subsequent contract.

As an alternate, Waste Management proposed and City Staff negotiated the potential for a three-year extension to the current contract scheduled to expire at the end of 2014 that would assure recycling revenues for the City’s benefit. The City Commission could choose to accept this extension proposal with 5-year savings of approximately \$1.3 million.