



THE CITY OF KEY WEST

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EXECUTIVE SUMMARY

TO: Jim Scholl, City Manager
E. David Fernandez, Asst. City Manager - Operations

FROM: Jay Gewin, Utilities Manager

DATE: January 7, 2010

SUBJECT: Extending the City's Solid Waste Hauling and Disposal Contract with Waste Management for the Second 7-year Term Within the 20-Year Contract

Action Statement:

This resolution will authorize the second 7-year contract term within the City's 20-year solid waste hauling and disposal contract with Waste Management.

Background:

On February 19, 2004 the City Commission approved a 20-year contract establishing Waste Management to provide municipal solid waste hauling and disposal services for the City of Key West. (Resolution 04-082). This contract governs the hauling of the City's solid waste from the Transfer Station in Rockland Key, to approved disposal sites where the waste is typically converted to energy, with limited waste landfilled. The contract has an initial 7-year term, a renewal 7-year term, and a final 6-year renewal term.

This contract was initiated after the City made the decision to close the former Waste-to-Energy site on Stock Island, and convert the facility to a temporary transfer station while the new site on Rockland Key was being constructed. The RFP for this contract was developed in conjunction with the City's Solid Waste Technical Advisory Committee, which sought to develop a solid waste site for a minimum 20-year period. The City's comprehensive plan also requires the City to provide solid waste collection, hauling, and disposal services to our residential and commercial customers, and our capacity and ability to provide solid waste services is a key concurrency requirement to accommodate development plans.

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

The City has requested that Kessler Consulting generate a Solid Waste Master Plan for the City of Key West. City Staff utilized Kessler's expertise in analyzing our current solid waste contracts. Their knowledge in industry trends, rate comparisons with other municipalities, and contract analysis were of tremendous benefit to the City.

Purpose and Justification:

It is apparent that the City is receiving favorable disposal costs for our waste compared to other municipalities. Our combined hauling and disposal costs, with the proposed amendment that is being presented to the City Commission, are still in line with industry standards. Kessler Consulting performed a comparison between our rate and those of other Florida counties and cities, and found our fees to be favorable.

It is in the City's interest to maintain its current favorable hauling and disposal rates. This is a critical component in establishing long-term Solid Waste Utility budgets, maintaining acceptable reserve fund balances, and limiting risk of utility rate adjustments to our customers. Maintaining hauling and disposal contracts that ensure capacity for solid waste processing are a key concurrency requirement within our City's comprehensive plan.

Moving forward, the City looks ahead to new ideas and plans to help increase our recycling rate. Many proposals will be generated through the Solid Waste Master Plan. However, we need to remember that however successful we are in the future, we will always need a contract for the hauling and disposal of solid waste. It will be our goal to divert as much recycled materials out of the waste stream in the future as possible, thereby lowering the amount of solid waste hauled to the mainland under this contract.

Options:

- 1) The City can issue an RFP and go out for proposals for solid waste hauling and disposal services. This option is not recommended because both the City and Kessler Consulting believe that a RFP would result in higher costs than are currently being paid by the City.
- 2) The City can approve the second 7-year term of the MSW hauling and disposal contract with Waste Management. This contract extension will help lock in favorable long-term hauling and disposal rates long-term.

Financial Impact:

Maintaining the favorable financial terms within the long-term solid waste hauling and disposal contract helps protect the Solid Waste Utility fund balance and minimize the chances of requiring a sudden rate increase in the future. Staff believes that the provisions of this contract would be favorable should the proposed contract amendment be enacted, or if an audit as allowed by the contract were performed to determine actual costs incurred that the City could be required to fund.

The City has budgeted \$3,478,100 for FY 2011 for solid waste hauling and disposal services.

Recommendation:

City Staff recommends option # 2, the approval of the second 7-year extension to the solid waste hauling and disposal contract with Waste Management.