



THE CITY OF KEY WEST

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MEMORANDUM

TO: Gregory W. Veliz, City Manager

Cc: Patti McLaughlin, Assistant City Manager

FROM: John Paul Castro, Utilities Director

DATE: April 1st, 2021

SUBJECT: Waste Management, Inc. Requests Collections Contract Amendment

Action Statement:

Waste Management, Inc. requests an amendment to the collections contract to increase the residential collections rate, increase the commercial service fee, add a processing fee to commercial recycling, change 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 \$14.62 to \$16.32 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 90% of the current disposal fee (per WMI, value of recycling has no profit).

Effects from requested changes:

Residential

- Increase of \$1.70 per house/unit to WMI would cost solid waste
- Key to the Caribbean – Average yearly temperature 77° F.*

\$264,784 in 2022.

- Changing the index to WST on top of the new increased rate would create an increase over current costs of \$302,062 in 2023.
- The total increase of \$1.70 plus WST index through the 8 years of extensions left in contract renewals would cost the city residential rate payers \$3,224,996.
- The fund would drop below the minimum reserve target 4 years earlier than the current rate model. The current model has 3-3.5% increases each year. Next fiscal year residential rate would need to be raised to 4% or higher to recoup the cost increase for the next 4 fiscal years at minimum.

Commercial

- 5% increase service fee would cost a medium restaurant ~\$28.41 per month (\$340.92/year) for garbage and a school ~\$188 per month (\$2,256/year) for garbage (this example is from an actual account).
- Recycling processing fee of 90% of the disposal fee cost would increase recycling \$305.14 per month (\$3,661.68/year) for a medium restaurant and ~\$662.19 per month (\$7,946.28/year) for a school (this example is from actual an account).
- The requested commercial recycling fee would disincentivize most commercial recycling accounts as the savings over trash would be so diminished the effort would not be worth the savings.

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.
3. Deny the Waste Management contract amendment request, direct staff to advertise the services for new proposals.

Recommendation:

Increases to service rates currently exist in the contract. There is no mechanism within the contract to adjust rates or rate indexes. Staff cannot recommend approving this request.