

Indian River County, Florida
Solid Waste Disposal District
Board Memorandum

Date: June 27, 2023

To: The Solid Waste Disposal District Board of Commissioners

Through: John A. Titkanich, Jr., County Administrator
Sean C. Lieske, Director of Utility Services

Prepared By: Himanshu H. Mehta, PE, Managing Director, Solid Waste Disposal District

Subject: Approval of FY 2024 CPI Adjustment Requests by Waste Management, Atlas Organics, Republic Services, and Indian River Sustainability Center

Descriptions and Conditions:

The Indian River County (IRC) Solid Waste Disposal District (SWDD) Board has the following agreements with contractual partners that include an annual adjustment clause:

Waste Management Inc. of Florida (WM) - On April 21, 2015, the SWDD Board entered into a Franchise Agreement for the Solid Waste and Recyclables Collection with WM. WM started providing services on October 1, 2015. Article 16 of the Franchise Agreement provides for the compensation provision of the services specified in the referenced Exhibit 1, along with a Consumer Price Index (CPI) rate adjustment process specified in the referenced Exhibit 4 of said agreement. Per Amendment No. 1 to the Franchise Agreement, dated October 4, 2016, the maximum rate adjustment was limited to 3%.

Furthermore, on January 9, 2018, SWDD entered into a Recycling Services at Government Buildings and Facilities Agreement with WM. Article 4 of this agreement provides for the compensation provision of the services specified in the referenced Exhibit A, along with a CPI rate adjustment process specified in the referenced Exhibit B of said agreement. On April 7, 2020, a First Amendment to this Agreement was approved by the SWDD Board to extend the due date for the annual rate adjustment from April 30th to June 1st. Article 4 of the Agreement provides for the compensation provision of the services specified in the referenced Exhibit A, along with a rate adjustment process specified in the referenced Exhibit B of said agreement with the maximum rate adjustment limited to 3%.

Atlas Organics Indian River, LLC (Atlas) - On November 19, 2019, the SWDD Board authorized the Yard Waste Processing and Disposal Services Agreement with Atlas for a period of 10 years. This agreement commenced on January 1, 2020, and approved the rates for processing of yard waste and the recycling of the yard waste. Article 4 of this agreement provides a CPI rate adjustment process specified in the referenced Exhibit A of said agreement with the maximum rate adjustment limited to 3%.

Republic Services of Florida, LP (Republic) - On November 16, 2010, the SWDD Board authorized the Solid Waste Operations and Maintenance (O&M) Agreement with Republic. This agreement is for the operation and maintenance of the County's Class 1 landfill, as well as non-Class 1 landfill services. The contract began

January 1, 2011, with an initial term of seven (7) years with an option for one (1) renewal term of seven (7) years. On February 21, 2017, the SWDD Board approved the Ninth Amendment and extension to the contract agreement with Republic, extending the agreement for another seven (7) years beginning on January 1, 2018, and expiring on December 31, 2024. Section 4 of this renewal agreement includes an annual escalation provision allowing 100% change in the CPI with the maximum rate adjustment set to 3.0%.

Indian River Sustainability Center, LLC (IRSC) - On July 13, 2021, the SWDD Board approved the Wastewater Treatment Agreement between SWDD and the IRSC. This agreement is for the design, construction, and operation of a 30,000 gallon per day (GPD) Wastewater Treatment Plant (i.e., Evaporator). On December 14, 2021, the SWDD Board approved Amendment No. 1 due to project changes that resulted in a credit of not-to-exceed \$240,000 from IRSC to SWDD to be applied after the Wastewater Treatment Plant is commissioned. On April 18, 2023, the SWDD Board approved Amendment No. 2 that captured some changes requested by SWDD that adjusts the credit to \$207,591.85 and allowed a mechanism for capturing costs for some temporary fixes that SWDD has deployed. Section 4.4 of this agreement provides a CPI rate adjustment process specified in the referenced Exhibit F of said agreement with the maximum rate adjustment limited to 3%.

The purpose of this agenda is to obtain SWDD Board input and approval on the CPI adjustments and costs requested by these vendors.

Analysis:

Staff has received the request from our vendors as shown in the table below and is requesting SWDD Board input and approval.

Vendor	Contract Allowance			Vendor Request		Staff Proposal
	CPI % Change from Prior Year	CPI % per Contract	Maximum CPI % Collar per Contract	CPI %	Date Received	
WM - Residential Recycling Collections	5.12%	3.84% ^(a)	3.00%	5.12%	5/24/2023	3.84%
WM - Govt Recycling Collections	5.12%	3.84% ^(a)	3.00%	5.12%	5/22/2023	3.84%
Atlas	5.12%	3.84% ^(a)	3.00%	3.84%	5/25/2023	3.84%
Republic Services	6.92%	6.92% ^(b)	3.00%	6.92%	6/15/2023	4.00%
IRSC	6.92%	5.19% ^(c)	3.00%	5.19%	6/23/2023	4.00%

(a) CPI South for Urban Wage Earners and Clerical Workers; April to April at 75% change in CPI.
 (b) CPI South Urban Consumers, All Items, January to January at 100% change in CPI.
 (c) CPI South Urban Consumers, All Items, January to January at 75% change in CPI.

Staff recognizes the economic impacts that are faced by our contractual partners; however, the individual increases that have been requested exceed the contractual maximum of 3% allowed in their agreements. Further, granting the requested amounts would result in increases to our residents that are not fully budgeted. Therefore, staff is recommending that the calculated CPI of 3.84% be granted to WM and Atlas with a 4% allowance for Republic Services and IRSC.

SWDD Item

In addition to the above CPI request, IRSC also requested a lump sum payment of \$165,132 to cover additional costs they incurred as a result of delays in obtaining a site plan permit of 66 days by SWDD. Staff acknowledges the cost reimbursement associated with this delay is allowed in accordance with Section 3.3 of the aforementioned agreement. Factoring this against the current credit of \$207,591.85, would reduce their net payment to SWDD to \$42,459.85.

Funding:

WM RESIDENTIAL RECYCLING AND GOVERNMENT RECYCLING:

The majority of the services provided in the Franchise Agreement are directly paid by residential subscription customers or by commercial customers. The exception is the payment for the residential recycling services, which is paid to WM by SWDD. Similarly, WM provides the recycling services for government buildings and facilities, which is also paid to WM by SWDD. Funding for both of these recycling services, in the amount of \$3,200,000, is budgeted in the SWDD recycling account for FY 2023/2024 under SWDD/CC & Recycling/Other Contractual Services, Account No. 41125534-033490, which is funded from SWDD assessments and user fees.

ATLAS ORGANICS – YARD WASTE RECYCLING:

Funding for yard waste processing for FY2023/2024 will be budgeted and available in the SWDD/CC & Recycling/Other Professional Services account, number 41125534-033190 in the amount of \$2,300,000, which is funded from SWDD assessments and user fees.

REPUBLIC SERVICES – CLASS 1 LANDFILL SERVICES AND NON-CLASS 1 LANDFILL SERVICES:

Funding for the SWDD Class 1 Landfill services for FY2023/2024 will be budgeted and available in the SWDD / Landfill / Contractual Services account, number 41121734-033489 in the amount of \$3,700,000, which is funded from SWDD assessments and user fees. Funding for the SWDD non-Class 1 Landfill services for FY2023/2024 will be budgeted and available in the SWDD / CC & Recycling / Contractual Services account, number 41125534-033489 in the amount of \$3,700,000, which is funded from SWDD assessments and user fees.

INDIAN RIVER SUSTAINABILITY CENTER:

Funding for the SWDD leachate treatment project is budgeted and available in the SWDD / Landfill / Leachate Evaporator Expenses account, number 41121734-033493, in the SWDD Landfill Fund, which is funded from SWDD assessments and user fees.

VENDOR	DESCRIPTION	ACCOUNT	AMOUNT
WM - Residential Recycling Collections	SWDD/CC & Recycling/Other Contractual Services	41125534-033490	\$3,000,000
WM - Govt Recycling Collections	SWDD/CC & Recycling/Other Contractual Services	41125534-033490	\$ 200,000
Atlas	SWDD/CC & Recycling/Other Professional Services	41125534-033190	\$2,300,000
Republic Services	SWDD / Landfill / Contractual Services	41121734-033489	\$3,700,000
Republic Services	SWDD / CC & Recycling / Contractual Services	41125534-033489	\$3,700,000
IRSC	SWDD / Landfill / Leachate Evaporator Expenses	41121734-033493	\$2,300,000

Recommendation:

Solid Waste Disposal District staff recommends that the Board approve the calculated CPI of 3.84% be granted to Waste Management, Inc. of Florida and Atlas Organics Indian River, LLC with a 4% allowance for Republic Services of Florida, LP and Indian River Sustainability Center, LLC, and authorize the County Administrator or his designee to send a letter of approval. Staff also recommends approval of a reduction of credit by \$165,132 to the Indian River Sustainability Center, LLC.

Attachment:

1. Rate Adjustment Letters from Waste Management
2. Rate Adjustment Letter from Atlas
3. Rate Adjustment Letter from Republic Services
4. Rate Adjustment Letter from IRSC