



INDIAN RIVER COUNTY
SOLID WASTE DISPOSAL DISTRICT
BOARD MEMORANDUM



Date: September 9, 2018
To: Jason E. Brown, County Administrator
From: Vincent Burke, P.E., Director of Utility Services
Prepared By: Himanshu H. Mehta, P.E., Managing Director, Solid Waste Disposal District
Subject: Second Amendment to Recyclables Transfer, Processing and Marketing Agreement

DESCRIPTIONS AND CONDITIONS:

On August 21, 2012, the Indian River County (IRC) Solid Waste Disposal District (SWDD) Board approved the Recyclables Transfer, Processing and Marketing Agreement (Agreement) to Resource Recovery Systems, LLC d/b/a ReCommunity ("ReCommunity"). This Agreement was in response to Request for Proposal (RFP) No. 2012023 for dual-stream recycling services for a five (5) year term commencing on September 1, 2012, with an optional five (5) year extension. On July 14, 2015, the SWDD Board approved the First Amendment to the Agreement, which assigned the processing services from ReCommunity to Tropical Exchange Corporation d/b/a Tropical Recycling and transitioned from dual-stream processing to single stream processing. The First Amendment to the Agreement amended the initial term from five (5) years to eight (8) years and revised the optional extension term of two (2) years. Specifically, the initial term is through August 31, 2020.

Tropical Recycling submitted a letter dated August 16, 2018, to SWDD requesting an extension to the Agreement as well as providing compensation to SWDD for landfill residue disposal and landfill cover materials.

Please find attached the Second Amendment to Recyclables Transfer, Processing and Marketing Services Agreement for Board approval.

ANALYSIS:

Tropical Recycling has cited in their letter that it is primarily because of China's moratorium on the import/purchase of recyclable materials from the United States that has caused the demand and revenue for the commodities to plummet. Tropical Recycling has adopted to the new requirements and specifications by investing in new equipment and additional labor to ensure that a higher quality of material is produced at their facility in Ft. Pierce, Florida. Tropical Recycling is requesting approval to extend the optional term through August 31, 2022, in order to ensure a sustainable program for both SWDD and Tropical Recycling.

The current agreement is based on a payment methodology using an Average Market Value (AMV) approach wherein both the set composition of our materials and the monthly Southeast USA regional average commodity prices for the materials are used to cover the transportation, processing, and marketing services. If the AMV is above the processing fee, the agreement includes a 75.1% revenue share

to SWDD of any revenue above and beyond the processing cost. However, there is no payment to Tropical Recycling if the AMV is below the processing fee, i.e., Tropical Recycling is bearing the total risk of a depressed market. Tropical Recycling is being paid a Processor's Fee of \$88.00/ton and has provided a total revenue of \$112,444.18 since 2015. The Agreement does include carrying a negative balance to offset future payments; however, SWDD is not responsible for any negative balance upon termination of this agreement.

Tropical Recycling has offered to compensate SWDD for the landfill residue disposal and landfill cover materials. The IRC Office of Management and Budget has calculated the landfill residue disposal rate of \$19.08 per ton based on current operating and long-term costs for the landfill operations. Tropical Recycling has also offered to pay \$7.00 per ton for any landfill cover material brought to our facility.

Staff concurs that the decision by China is having a major impact on domestic recycling processing and marketing of recyclables. In fact, commodity pricing is at a historic low. At the time we issued the original RFP in November 2011, the AMV was at \$175 per ton; in June 2015, the AMV was \$85 per ton and in August 2018 the AMV was \$76 per ton. In the current economic situation, certain communities are having to pay for the processing of recyclables, i.e., there is no revenue sharing.

Overall, Tropical Recycling has been providing excellent services to SWDD in accordance with the Agreement and supports the request to provide the optional two (2) year extension to the Agreement through August 31, 2022. Therefore, staff recommends Board approval of the extension.

FUTURE CONSIDERATION:

Staff is interested in aligning the single stream collection contract period with the single stream processing contract period. Specifically, the collection contract with Waste Management that began October 1, 2015 has an initial seven (7) year term that expires on September 30, 2022. In addition, the SWDD Board has an option to approve a three (3) year extension to Waste Management through September 30, 2025. Whereas, as mentioned above, the Tropical Recycling contract expires on August 31, 2022. The interest is based on the concern that given the volatility in the recycling markets that it may be more beneficial for SWDD to align both contractual periods to ensure more reliability of our services. At the time the Board considers the extension to the Waste Management contract (which has to be no later than September 30, 2021 – a full one year before the 7-year term expires), staff will request Board consideration to waive bid requirements and extend the Tropical Recycling contract through September 30, 2025.

FUNDING:

This type of service agreement is unique for SWDD wherein we seek revenues from recyclables generated in Indian River County based on an Average Market Value basis less contractor's cost for transportation, processing, and profit share with allowance for them to carry a negative balance. The net revenue received by SWDD fluctuates based upon the market prices of the various recyclables. For example, since 2015, SWDD received no compensation in Fiscal Year 2015/16; \$110,791.76 in Fiscal Year 2016/17, and so far, have only received \$1,652.42 in current Fiscal Year 2017/18.

RECOMMENDATION:

Staff is recommending that the SWDD Board approve and authorize the Chairman to sign the Second Amendment to Recyclables Transfer, Processing and Marketing Services Agreement between SWDD and Tropical Recycling.

ATTACHMENT:

1. August 16, 2018 Letter from Tropical Recycling
2. Second Amendment to Recyclables Transfer, Processing and Marketing Services Agreement