



INDIAN RIVER COUNTY
SOLID WASTE DISPOSAL DISTRICT
BOARD MEMORANDUM



Date: February 15, 2016
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: Ninth Amendment to Republic Services for Contract Renewal

DESCRIPTIONS AND CONDITIONS:

On November 16, 2010, the Solid Waste Disposal District (SWDD) Board authorized the Solid Waste Operations and Maintenance Agreement with Republic Services of Florida, LP (Republic Services). The 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 that expires on December 31, 2017. The term of the contract may be extended for one (1) additional period of seven (7) years at the mutual agreement of both parties. Currently, Republic Services is paid \$14.86 per ton for materials disposed in the Class 1 landfill, resulting in an approximate annual expense of \$2.55 million based on an average of 14,300 tons per month. For the non-Class 1 landfill services, Republic Services is paid an annual amount of \$2.97 million. The grand total for both non-Class 1 services and Class-1 landfill operations is approximately \$5.52 million per year which is funded from SWDD assessments and user fees.

Per the existing contract and prior to December 31, 2016, SWDD was required to notify Republic Services of its intent to renew or not to renew the contract. On December 20, 2016, staff recommended approval of the Eighth Amendment to Republic Services as notification of SWDD's intent to renew the contract for an additional period of seven (7) years. The renewal term is from January 1, 2018, through December 31, 2024, at the negotiated rate of \$13.25 per ton in the first year for the Class 1 landfill. The SWDD Board approved the Eighth Amendment, which included a provision to continue to negotiate on other provisions of the contract to apply in the renewal term.

ANALYSIS:

Staff and Republic Services met weekly since January 4, 2017, in order to continue negotiations on provisions in the renewal contract. The following are the specific highlights of the final negotiated items:

1. **Class 1 Landfill Service and Rates:** The Class 1 landfill services includes the co-disposal of both municipal solid waste (MSW), and construction and demolition (C&D) debris, the operation and maintenance of the Landfill Gas Control and Collection System, and the operation and maintenance of the storm water management system, leachate system and associated roads. SWDD does not guarantee any minimum or maximum quantity or quality of MSW, C&D debris or the landfill gas now or in the future. The total new cost for these services is \$13.25 per ton of MSW and C&D placed in the Class 1 landfill and is paid on a monthly basis. This is \$0.74 less per ton than the original \$13.99 per ton rate set in January 2011.

Non-Class 1 Landfill Service and Rates: The non-Class 1 services include, but are not limited to: the management of the Municipal Recycling Facility, the small load drop-off area, the waste tire facility, the metal storage area, the household hazardous waste (HHW) facility, the clean concrete storage area and other maintenance activities as well as the off-site activities associated with the operation and maintenance of the five (5) customer convenience centers (CCCs) including transportation and disposal service for eight (8) specific locations, up to twenty (20) roadway cleanup projects, and up to twenty (20) special events. Currently, the total annual compensation for these services is \$2,974,004.79 per year to be paid equally on a monthly basis. Note this total compensation includes the single stream recycling services provided at the Municipal Recycling Facility and at Blue Cypress Lake as well as the waste services provided at our yard waste facility.

Republic Services has clarified that the \$13.25 per ton represents a total discount on the entire contract. Republic Services has stated that compared to the current rate of \$14.86 per ton, the 10.83% decrease for the Class 1 services captures both the savings at the landfill and the non-Class 1 landfill services, including the CCCs. In applying the proposed new landfill rate to the contract using the average monthly amount of 14,300 tons, the overall reduction to the entire agreement is approximately 5.00%.

- The current contract includes an annual escalation based on a 75% change in Consumer Price Index (CPI) with no cap. The negotiated annual escalation is based on a 100% change in CPI with a 3% cap. The following is a summary of the costs and the annual price changes:

Year	CPI 100% ⁽¹⁾	Contract CPI @ 75%	Class 1 Landfill Rate	Non-Class 1 Landfill Services	Comments
Jan-11	n/a	n/a	\$13.99	\$2,765,833	Baseline
Jan-12	1.68%	1.26%	\$14.17	\$2,800,723	Approved
Jan-13	3.24%	2.43%	\$14.51	\$2,868,659	Approved
Jan-14	1.56%	1.17%	\$14.68	\$2,902,186	Approved
Jan-15	1.67%	1.25%	\$14.86 ⁽²⁾	\$2,938,539 ⁽²⁾	Approved
Jan-16	-0.36%	-0.27%	\$14.82	\$2,930,621	Not Requested/not enforced
Jan-17	0.79%	0.59%	\$14.95	\$2,955,925	Requested/not approved
Jan-18	-	Not Applicable	\$13.25	\$2,974,005 ⁽³⁾	NEW Rates

(1) An average of the approved 100% of the CPI from 2012 through 2015 is used to calculate the projected CPI of 2.04% for years 2018 through 2024.

(2) The 2015 approved rate of \$14.86 per ton for Class 1 landfill remained the same in 2016 and 2017. The 2015 approved rate of \$2,938,539.01 for non-Class 1 landfill services was increased by \$31,555.10 per year to \$2,970,094.11 in May 2016 via the 7th Amendment for single stream recycling services at the Material Recycling Facility.

(3) The cost of \$3,910.68 (\$325.89 per month) for single stream recycling at Blue Cypress Lake is added to \$2,970,094.11 to arrive at the new rate of \$2,974,004.79 per year for the non-Class 1 landfill services.

During negotiations, Republic Services requested to change the CPI approach traditionally used in the contract to an index tied to water, sewer, and garbage rates or to a garbage/trash index. Staff researched the index and associated data, and concludes that the new index, while beneficial for the vendor, would not be in the best interest of the county or its rate payers. Staff declined this request as these newer indexes trend higher than the CPI and do not reflect the standard practice of using the CPI in all of our contracts. Staff and Republic Services have negotiated to maintain the CPI index; however, we have agreed to use 100% of the CPI with a 3% cap. If the extension agreement is approved, the new rate of \$13.25 per ton would go into effect January 1, 2018. Any

future increase of the disposal rate would not occur until January 1, 2019. A projection of future rates are detailed below.

The proposed changes to the agreement include a maximum CPI adjustment of 3%, which Republic Services requested to cover its own renewal and replacement costs, insurance requirements, and salary and benefit adjustments for its employees.

Below is a summary of actual costs to date and estimated CY 2018 total costs based on a hypothetical 3% increase in the annual tonnage of 171,600 tons (14,300 tons per month).

Year	Class 1 Landfill Rate	Class 1 Landfill Total Tons	Class 1 Landfill Total Costs	Non-Class 1 Landfill Services	Total Costs	Comments
Jan-11	\$13.99	142,697	\$2,007,387	\$2,765,833	\$4,773,220	Actual
Jan-12	\$14.16	144,560	\$2,052,649	\$2,800,723	\$4,853,372	Actual
Jan-13	\$14.51	152,003	\$2,205,558	\$2,868,659	\$5,074,217	Actual
Jan-14	\$14.68	161,075	\$2,364,587	\$2,902,186	\$5,266,773	Actual
Jan-15	\$14.86	166,304	\$2,471,270	\$2,938,539	\$5,409,809	Actual
Jan-16	\$14.86	171,359	\$2,546,400	\$2,956,946	\$5,503,346	Actual
Jan-17	\$14.86	171,600	\$2,549,976	\$2,970,094	\$5,520,070	Projected
Total =		1,109,598	\$16,197,827	\$20,202,980	\$36,400,807	
Jan-18	\$13.25	176,748*	\$2,341,911*	\$2,974,005*	\$5,315,916*	Estimated*

Note: The above numbers do not include one-time repair costs for emergency items and/or other approved costs per contract amendments. There was a 3-month C&D pilot program from November 2011 through January 2012 where the disposal rate was \$16.49 per ton for C&D. The actual numbers for January 2011 through December 2016 represent paid invoices. The numbers have been rounded.

** Jan-18: Estimated numbers only. For illustration purposes and subject to change.*

3. Potential Additional Cost Savings with Optimization of the Landfill and Customer Convenience Centers: Staff and Republic Services discussed several optimization options for the CCCs.
 - a. Reduction in Fees: Depending on SWDD Board direction with respect to the operation of the CCCs, specific details will be worked out in a future amendment, if necessary. As a starting point, and based on staff discussions, Republic Services has offered a formula that would factor in immediate fixed costs savings as well as variable cost savings based on the specific option approved by the SWDD Board as described in the ninth amendment. The variable costs looks at the tonnage increases or reductions in one or more CCCs as a way to provide a savings to SWDD.
4. The parties acknowledge that recycling services are and shall continue to be provided on a single-stream basis.

Staff supports this renewal process as an option of the contract with no disruption of services today with flexibility for future modification, if necessary. Staff does not recommend going out to an RFP as Republic Services continues to meet the requirements of the contract and continues to keep the site and all of the facilities in compliance with local, state, and federal requirements. Using a monthly average of 14,300 tons per month, the 10.83% reduction in the disposal fee charged by Republic Services equates to a savings of approximately \$276,276 per year or approximately \$2 million dollars saving to rate payers over the proposed 7 year extension term.

FUNDING:

Funding for the SWDD Class 1 landfill services is budgeted and available in the SWDD landfill account, and SWDD non-Class 1 landfill services is budgeted and available in the SWDD recycling account. Both are funded from SWDD assessments and user fees.

Description	Account Number	Amount
Landfill - Contractual Services	41121734-033489	\$2,700,000
Recycling - Contractual Services	41125534-033489	\$2,996,000

RECOMMENDATION:

SWDD staff recommends that its Board approve the following:

- a. Approve the Ninth Amendment to Republic Services as a contract renewal of the Solid Waste Operations and Maintenance contract for an additional period of seven (7) years beginning January 1, 2018 through December 31, 2024, at the negotiated rate of \$13.25 per ton for the Class 1 landfill to begin on January 1, 2018 and a cost of \$2,974,004.79 for the non-Class 1 landfill services.
- b. Authorize the Chairman to execute the same, as presented.

ATTACHMENT(s):

- 1) Ninth Amendment to Republic Services for Contract Renewal