




CITY OF ORLANDO

MEMORANDUM

To: Connie Royer, Purchasing Agent III, Procurement & Contracts Division
From: Victor J. Godlewski, P.E., Division Manager, Wastewater Division 
Date: April 29, 2014
Subject: Renewal of Sweetwater Environmental's Contract for Biosolids Hauling & Diposal

In the Fall of 2010, the City competitively bid the services to haul and dispose of biosolids. The City entered into a 3-year contract with Sweetwater Environmental (Sweetwater) to provide these services. The City has been negotiating a year extension to the contract. Sweetwater has requested an increase of \$5/wet ton for land application. The rate would increase from \$20.35/wet ton (fuel price adjusted) to \$25.35/wet ton. In addition, Sweetwater has requested an increase from \$41.40/wet ton to \$51.40/wet ton for emergency disposal.

Justification of Proposed Rate Increases

When Sweetwater submitted their bid for services, all the bidders were required to base their bids on hauling and spreading 62,000 wet tons of biosolids per year. The City's production of biosolids has averaged about 43,000 wet tons per year for the duration of the contract. The bid price provided by Sweetwater was designed to recover fixed and variable costs. Fixed costs include categories such as administration, overhead, depreciation and insurance. Variable costs include categories such as labor, fuel, road maintenance, and spreading costs.

At the lower biosolids production rate, Sweetwater has not been able to fully recover their fixed costs. According to Sweetwater, this condition in conjunction with rising variable costs has resulted in erosion of their margin to the point that they are providing services at a net loss.

The City received a letter from Sweetwater dated March 10, 2014 requesting a rate increase of \$5/wet ton for land application and \$51.40/wet ton for emergency disposal (attached). The proposed increase in the emergency disposal rate is the direct result of higher pricing by Sweetwater's contractor.

Sweetwater provided a break-down of their current costs for land application. Generally, the cost increases described were beyond Sweetwater's control (attached). The Wastewater Division has reviewed the cost summary and justifications and we have found the bases for the proposed rate increases to be reasonable.

The City of Tampa recently bid similar services. Based on bids that were received on February 24, 2014, the City of Tampa's contractor will be performing hauling and land application services at a rate of \$27.60/wet ton. It appears that the rate proposed by Sweetwater is competitive with the recent bids received by the City of Tampa.

Conclusion & Recommendations

Sweetwater has provided a good level of service to the City of Orlando. The Wastewater Division desires to renew Sweetwater's contract for one additional year.

The proposed rate increases for land application and emergency disposal of biosolids appear to be justified. Moreover, the proposed rate for land application appears to be competitive based on recent bids received by the City of Tampa.

The Wastewater Division recommends approval of: a) the proposed increase of \$5/wet ton for land application and b) the revised rate of \$51.40/wet ton for emergency disposal. Further, the Division recommends approval retroactive to April 1, 2014. The Division has the ability to absorb the financial impact of the proposed rates.

Connie, we appreciate your assistance and please let us know if you require any further information.



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March 10, 2014

VIA E-MAIL ONLY

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Connie Royer, CPPB
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Orlando, FL 32802-4990

Re: Hauling, Land Application, or Reuse of Wastewater Residual,
RFP10-0108-1, Amendment 3

Dear Connie:

This is in response to your January 16, 2014 proposal to extend the above contract for an additional year, or until March 31, 2015 at the existing pricing, terms and conditions.

Sweetwater Environmental, Inc. would be happy to extend this contract until March 31, 2015, but not at the existing pricing, terms and conditions. It proposes a price increase, effective April 1, 2014, of \$5 per wet ton for land application over the current rate, and a rate of \$51.40 per wet ton for emergency situations and weather conditions, plus any increase cost in tipping fees or having to go to another location during the extension period. These increases are in addition to the fuel adjustment amendment that the Parties previously agreed to.

After review, please let us know whether this proposal is acceptable to the City of Orlando.

We thank you in advance for your cooperation.

Very truly yours,

SWEETWATER ENVIRONMENTAL, INC.

Timothy G. Costello,
President
Direct No. 414.988.8405
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TGC/cls

cc: Erik Melear (Via E-Mail Only: erik.melear@cityoforlando.net)
Spence Steadman (Via E-Mail Only: ssteadman@sweetwaterenvironmental.com)

SUMMARY OF APPROXIMATE AND AVERAGE COSTS

CATEGORY	2010 Bid Costs per Load	2013/14 Costs per Load	Load Cost	COMMENTS
Administration & Overhead	\$3.00	\$5.00	\$5.00	Rent, office supplies, utilities, clerical, communications, and management.
Benefits	\$5.00	\$7.50	\$7.50	Health insurance due to ACA has increased.
Depreciation	\$75.00 *	\$120.25 **	\$120.25 **	Hauling and land spreading equipment.
Fuel	\$75.00	\$120.00	\$120.00	Diesel has increased from \$3.008 to \$4.15 per gallon. Fuel use depends upon the locations of the permitted fields. Fields could be 50 miles apart.
Insurance	\$50.00	\$65.00	\$65.00	Includes liability, vehicle, workers' compensation, and unemployment compensation.
Labor - Hauling	\$60.00	\$90.00	\$90.00	Our insurance requires certified drivers with 4 years of experience. Shortage of available drivers have driven wages higher.
Equipment Maintenance-Hauling	\$15.00	\$25.00	\$25.00	Tires, brakes, tarps, seals, screw locks, hydraulic oil & hoses, PTO, and pumps, etc.
Road & Site Maintenance for Ranch	\$5.00	\$15.00	\$15.00	Costs depends upon location of the permitted fields, condition of the access roads, and wet weather events. Install culverts and gates for access. Grade long stretches of ranch roads, spread stone.
Regulatory Compliance	\$3.00	\$10.00	\$10.00	New state and local regulations took effect on January 01, 2013. Additional tracking, reports, field logs, groundwater monitoring, inspections, and coordination.
Miscellaneous Supplies & Rentals	\$5.00	\$8.00	\$8.00	Tools, back-up equipment in case equipment is down for repair, repair truck, etc.
Spreading	\$65.00	\$95.00	\$95.00	Field equipment operators, fuel, equipment maintenance, monitoring wells, wash trucks, and supplies (hydraulic oil, hoses, belts,etc.).
TOTALS	\$361.00	\$560.75	\$560.75	

NOTES:

Load Weight: The average weight for each load was 23 wet tons during 2013. A total of 2,005 loads were hauled and spread in 2013.

Minority Contractor: Contract price is \$300.00 per load for their drivers to haul loads to the permitted fields. The contract price does not include costs for the hauling trailers or spreading. Sweetwater has consistently exceeded the City's goals for minority and woman business enterprise participation. Sweetwater furnishes all of the trailers and performs all maintenance, inspections, and licensing for the trailers and still incurs the depreciation and administration costs. There is no profit in this work at the current rate, and the minority contractor hauls on the average approximately 30% of the volume.

* **Depreciation costs** for the field equipment (front end loaders, spreaders, tractors, water trucks, and grader) were NOT included in the original bid. Depreciation costs for the hauling equipment (tractors and trailers) were included in the original bid.

** Deseret Ranch requires 2 sets of field equipment to be onsite for reliability of the field operations. Sweetwater has 3 front end loaders available for field operations. Based upon replacement costs for the field equipment, using a 10-year service life, spreading 46,000 wet tons per year, and 23 wet tons per load, the depreciation costs would be: Replacement costs for the loaders: $\$140,000 \times 3$ new loaders equals approximately \$420,000. Depreciation cost would be $\$0.91$ per wet ton or $\$21.00$ per load. Field application equipment: Replacement costs for the tractors: $\$185,000 \times 2 = \$370,000$. Depreciation cost would be $\$0.81$ per wet ton or $\$18.65$ per load. Replacement costs for the spreaders: $\$56,000 \times 2 = \$112,000$. Depreciation cost would be $\$0.25$ per wet ton or $\$5.60$ per load. Sweetwater maintains 6 trucks and 6 trailers for Iron Bridge. One truck and trailer would be replaced each year. Replacement costs for one used truck and hauling trailer each year: \$150,000. Depreciation cost would be $\$3.26$ per wet ton or $\$75.00$ per load.

Total depreciation costs = \$120.00 per load.