

NEW BUSINESS 6.**MIAMI BEACH****COMMITTEE MEMORANDUM**

TO: Finance and Citywide Projects Committee Members

FROM: Jimmy L. Morales, City Manager

DATE: September 20, 2019

SUBJECT: **DISCUSSION REGARDING BIGBELLY FINANCIAL ANALYSIS****HISTORY:**

At its July 8, 2015, the City Commission accepted the recommendation of the May 27, 2015 Sustainability and Resilience Committee, to proceed with a pilot program and explore a range of financing options proffered by BigBelly Solar without advertising and subsequently adopted Resolution 2015-29067. On December 4, 2015 the City and BigBelly Solar, Inc. (BigBelly) agreed to launch a 12-month pilot program that would allow for the lease of twenty-four (24) BigBelly + Smartbelly Double Stations under a service contract at a monthly rate of \$128 per station, for a total monthly cost of \$3,072.

On January 18, 2017, BigBelly provided pricing with the original 24 units remaining at a discounted price based on a 60 month deployment. Additional units or any reduction of the contract time period would result in higher pricing. The Administration was interested in extending the pilot program to see if the technology offered sufficient efficiencies in service and recycling to offset the higher cost of the BigBelly stations. The concept was to take a segment of Washington Avenue and make it exclusively BigBelly trash receptacles. A discussion was held at the January 20, 2017 meeting of the Finance and Citywide Projects Committee. The Committee voted to expand the pilot program along Washington Avenue with the direction to report back in six (6) months. In addition, future financial analysis over an extended period of time should include cost of living adjustments for labor components.

The City of Miami Beach is in the initial 3-year term of a 5-year contract with BigBelly, Inc which provides 66 solar powered trash compactors throughout the City. The Term of the contract commences from the acceptance date of February 5, 2018, which is the date the units were installed and functioning.

ANALYSIS:

Currently, the expenses listed below represent what the City is incurring with the execution of the contract:

DESCRIPTION	Monthly	Annual
Monthly Service Fee	\$9,646	\$115,754
Annual Ins	\$292	\$3,500
Estimated Maintenance Cost	\$417	\$5,000
Property Tax & Admin fees	\$283	\$3,395
Total Cost	\$10,637	\$127,649

Table 1: Montly and annual costs associated with the BigBelly units

In addition to the direct costs associated with the units, the City is responsible for any damages or repairs that are not covered by the insurance. Repairs have been made in the past due to vehicle strikes and vandalism. Due to the complexity of the units, there is one Sanitation Division employee that has been tasked with overseeing the servicing and maintenance of the BigBelly units. The employee monitors the CLEAN software system which sends alerts when the unit is out of service as well as the level of its contents. As these units continue to age, the maintenance and replacement costs are anticipated to rise.

Termination for Convenience

The City Manager, at his sole discretion, may terminate the rental of one or more BigBelly units, without cause and for convenience, subject to the payment of all amounts due through the date of termination. The City must pay the remainder of the Monthly Service Fee through the termination date of the current term of the contract. In addition, BigBelly shall, at the City's expense, in the amount not to exceed \$500 per unit, remove all units from their designated locations throughout the City resulting in an expense of \$33,000. For comparison, there are three optional time periods that the City may elect to terminate the contract. The following chart indicates the payout to BigBelly for each of these time periods:

Date	Months Remaining	Service Fee Remainder	Recovery Fee	Totals
10/1/2019	16	\$154,339.20	\$33,000	\$187,339.20

2/1/2020	12	\$115,754.40	\$33,000	\$148,754.40
10/1/2020	4	\$38,584.80	\$33,000	\$71,584.80

Table 2. Shows the pay out options for early termination.

Trash/Recycle Can Replacement

A current review was conducted of the BigBelly unit locations. It was determined that 75 trash and 30 recycling cans will be required. The City will purchase the Victor Stanly trash and recycling cans that match the typical cans the City has placed through the 'Can on Every Corner' program. The total cost associated with replacing the BigBelly units is approximately \$190,000.

CONCLUSION:

Since there is no immediate budgetary reduction in terminating the BigBelly contract and such a termination would actually increase the financial burden, it would seem appropriate to fulfil our current contract with BigBelly without penalty and not renew at the conclusion of this term. The Sanitation Division currently has employees on ground in the area where the units are located along Washington Avenue from approximately 5:00 AM to 11:30 PM seven days a week, collecting litter which can also empty the replacement trash receptacles. The BigBelly units are weathering, aging and will incur additional maintenance as the years go by.

Applicable Area

Citywide

Is this a Resident Right to Know item?

Yes

Does this item utilize G.O. Bond Funds?

No

ATTACHMENTS:

Description	Type
 Bigbelly contract	Other