



## MEMORANDUM

To: The Pembroke Pines City Commissioners  
From: BCR Environmental Corporation - Rob Currey, Vice President  
Date: September 17, 2018

Re: **Background Information Regarding September 17, 2018 Commission Agenda Item related to BCR Environmental Corporation**

Dear Commissioners,

The purpose of this memorandum is to provide background information related to BCR Environmental Corporation ("BCR") and proposed changes to BCR's contract (and related purchase orders) with the City of Pembroke Pines and the Pembroke Pines Utility Authority ("PPUA"). Specifically, this memo will address the matters of: (i) factors that led to the need for an increase to the chemical-related PPUA purchase order, (ii) the 9.385% price increase in BCR's hauling rate, (iii) reassignment of the contract back to BCR from NuTerra Management, LLC, and (iv) history regarding the "slug" of invoice sent at one time back in early 2018.

i. **Factors that Led to Increase in the Chemical-Related PPUA Purchase Order:**

City Controller Jonathan Bonilla is attempting to increase the PPUA purchase order related to chemicals for the BCR Neutralizer® system. Mr. Bonilla mentioned to BCR that he would like to better understand why larger-than-planned chemical bills occurred for the fiscal year ending Sep 30, 2018. Of course, BCR cannot comment as to the PPUA / City of Pembroke Pines process for estimating the purchase order amount in the first place. We at BCR have reviewed our records and the data analysis reveals two major factors driving the price of chemicals for PPUA. They are: (a) price per unit increases, and (b) use of more units than forecasted:

- a. Price-Per-Unit Increases: The open market for some of the chemicals used in BCR's Neutralizer® process has seen double-digit-percentage price increases this year. As a result, the prices paid by PPUA (per unit) have also increased (per the "cost plus" arrangement within BCR's Service Contract with PPUA). PPUA is not alone - other BCR customers have been subjected to this increase too. In response, BCR is trying to address this by working actively with our chemical suppliers to pursue lower cost chemical pricing.
- b. Use of More Amount of Chemical Than Forecasted: The switch from Phase I to Phase II of the Service Agreement (attached as Appendix C to this Letter) caused the amount of chemicals used in 2017 and 2018 to be higher than the past (i.e., the amount of chemicals used by the BCR's Neutralizer® process, starting in 2017, has been generally higher than the CleanB® system that operated previously). The "new-ness" of this system (i.e., Phase II of the contract) likely caused the under-estimation of the amount of chemical needed.

ii. **9.385% Price Increase to the Hauling Rate:**

The Escalation Letter (attached as Appendix A) sent by BCR to PPUA on June 22, 2018, cites the already-negotiated-and-agreed-upon annual escalation procedure within the existing Service Agreement (Appendix C). This procedure governs annual increases to the hauling rate for the disposal of biosolids. Please see Appendix A for the extensive backup information that accompanied BCR's escalation letter which explains the rate increase of 9.385% to \$21.88/wet ton.



iii. **Reassignment of the Service Agreement *back* to BCR Environmental Corporation from NuTerra Management, LLC** (per the Assignment Letter sent on July 1, 2018 - shown as Appendix B)

BCR Environmental Corporation ("BCR") originally signed the Service Agreement (Appendix C) with the City of Pembroke Pines on June 18 of 2014.

Then, in 2015, BCR created a wholly-owned subsidiary (within our company) called NuTerra Management, LLC ("NuTerra"). The NuTerra brand was created to be the brand under which we delivered our Service Contracts. To this end, we sent a letter in February 2015 informing PPUA that we were "assigning" the Service Agreement (this is permitted within the existing contract language) from BCR to NuTerra.

However, BCR now desires to "reverse" the 2015 assignment to NuTerra (per the Assignment Letter found as Appendix B), and therefore assign the contract *back* to BCR (permitted by the existing contract language). To increase our corporate focus, we decided that BCR no longer needs two brands to interact with customers. To this end, BCR looks forward to continuing a long relationship with Pembroke Pines in the future. We hope this change will make our ongoing services to you higher quality and more-streamlined. Other than a name change on invoices, we're hopeful that the change will be imperceptible to you and your team.

iv. **History Regarding the "Slug" of Chemical Invoices Sent "All at Once" in Early 2018:**

Utility Director Riley Smith requested that this letter also address the "slug" of chemical invoices sent "all at once" in early 2018 (for 2017 chemicals delivered).

The delay in our Chemical Billing in 2017 was a result of internal miscommunication regarding the switch from Phase I to Phase II of the Service Agreement (Appendix C). More specifically, the effective date of Phase II was 1 Dec 2016 as the new Neutralizer system was in operation and treating biosolids to Class A standards. However, since the related FDEP permit modification was not in place until 1 July 2017, there was question as to whether BCR should invoice Pembroke Pines at Phase I or Phase II rates. This resulted in hesitation from our accounting department to send invoices during that early-2017 time period. That being said, chemical was procured and consumed in line with our Service Agreement with the City for the Neutralizer System (Phase II) since January 2017. Although our billing invoices were delayed, we corrected our mistake in January 2018 and sent along all the previously-unsent invoices. This "slug" of invoices was in line with the contractual relationship outlined in the Service Agreement (Exhibit C). Moving forward, we are committed to sending timely, monthly invoices without confusion.

Please contact me for any further clarification questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Robert J. Currey', with a long, sweeping underline.

Rob Currey, Chief Financial Officer