



## Request for City Council Committee Action From the Department of Public Works

**Date:** September 25, 2012  
**To:** Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee  
**Referral:** Honorable Betsy Hodges, Chair Ways & Means Committee  
**Subject:** **One-Sort Recycling Processing and Marketing Contract**

### Recommendation:

- A. Approve the RFP selection of Waste Management, Inc. for the processing and marketing of Minneapolis one-sort recyclable materials.
- B. Authorize the appropriate City officers to negotiate and enter into a contract with Waste Management, Inc. for a three-year term, with the option to extend annually for two years (2012-2017).

### Previous Directives:

- December 9, 2011: Direct Public Works Staff to return to the Transportation and Public Works Committee with a recommendation on a new recycling program that best balances the values of cost effectiveness, convenience for customers, and reducing total environmental impact.
- May 25, 2012: Approval to implement a one-sort recycling collection program for the residents of the City of Minneapolis.
- July 20, 2012: Authorize the appropriate City Officials to issue a Request for Proposal for the processing and marketing of recyclables from one-sort recycling collection.

**Prepared by:** Michelle Chavez, Project Coordinator, 673-3564

**Approved by:**

  
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Steven A. Kotke, P.E., City Engineer, Director of Public Works

**Presenters:** David Herberholz, Director of Solid Waste and Recycling

### Reviews

Permanent Review Committee (PRC)	Approval: Not Applicable
Civil Rights Approval	Approval: Not Applicable
Policy Review Group (PRG)	Approval: Not Applicable

**Financial Impact :** No financial impact.

### Community Impact

Neighborhood Notification: Not Applicable.  
City Goals: Eco Focused  
Comprehensive Plan: Not Applicable.  
Zoning Code: Not Applicable.

## **Background/Supporting Information**

On May 25, 2012, the City of Minneapolis Public Works Department received City Council approval to implement a one-sort recycling collection program for the residents of the City of Minneapolis.

The current recyclables processing and marketing contract with Allied Recycling Services was extended for an 18-month period, through November 30, 2013. The contract was also amended to add additional paper and plastic containers, and include the current multi-sort, and dual and one-sort pilots. It does not provide for the processing of materials generated by a citywide one-sort recycling program.

Therefore, an RFP was necessary to provide for this one-sort recyclables processing and marketing for all of the City of Minneapolis. The department requested proposals for a three-year contract with up to 2 one-year extensions. The contract will include:

- A per ton processing fee.
- Market revenue share formula.
- Ability to accept one-sort recyclables as early as Fall 2012.
- Must accept recyclable items in current recycling program.

On July 30, 2012 a RFP for processing and marketing of one-sort recyclables was issued by the City of Minneapolis. A pre-proposal meeting was held on August 7, 2012 to hear questions from vendors about the RFP. Answers to vendor's questions were posted to the City of Minneapolis website on August 20, 2012. On August 27, 2012 a five-day extension was granted for proposers, moving the deadline to August 31, 2012.

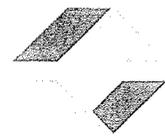
On August 31, 2012 the City received two proposals and one letter declining to submit a proposal. The evaluation team met with each vendor that submitted a proposal to make a final determination based on the team's evaluation scores, and the vendor's ability to meet the program goals and the City's financial needs.

It was determined through the RFP evaluation process that Waste Management, Inc. was the vendor that could best:

1. Meet the project timelines and main objectives, and
2. Meet the City's needs for quality pricing and revenue sharing on the marketing of the one-sort materials.

Therefore, Public Works is requesting authorization to approve the RFP selection of Waste Management, Inc. for the processing and marketing of Minneapolis one-sort recyclable materials and negotiate and enter into a contract with Waste Management Inc., for a three-year term, with the option to extend annually for two years.

Attachment: Waste Management Evaluation Memo



## MEMO

Single Stream RFP Evaluation Team

David Stead, V.P. and Principal

September 11, 2012

Waste Management Processing Proposal

The following is a list of the proposal evaluation criteria in the RFP. The overview of the Waste Management proposal follows this list.

### **EXPERIENCE/STRENGTH OF OPERATIONS CRITERIA AND PROPOSER SELECTION**

The City will evaluate the experience and strength of operations of the Proposer's services. Each Proposer will be evaluated in terms of demonstrated performance to determine the relative ability to implement the program elements described in this RFP and to attain the City objectives for recycling diversion. All proposals will be evaluated by criteria that will include but are not limited to:

- a. Completeness of proposal in addressing the RFP requirements

The proposal meets all the requirements of the RFP

- b. Demonstrated strength and experience in processing and marketing single stream recyclables;
- c. Demonstrated experience providing contracted processing services to municipalities;
- d. Previous experience in successfully designing and implementing transition plans from existing operations as required for program change-over;
- e. Experience in working with public agencies in the design, implementation and operation of recycling processing services targeted at high recycling participation and diversion;
- f. Management knowledge and methods to deliver on performance requirements;
- g. Demonstrated expertise in using data management systems to assure accurate data collection, analysis, and regular reporting to the public agency; and
- h. Recommendations and references

### **TECHNICAL CRITERIA AND PROPOSER SELECTION**

The City will consider the technical aspects of the Proposer's services to determine if the Proposers can meet the performance specifications and criteria on a long-term basis. All proposals will be evaluated by criteria that will include but are not limited to:

- a. Capabilities and structure of project management team, experience of facility manager and key personnel, relationships between management team and corporate management, and internal controls;
- b. Assessment of proposed facility and its potential to meet the City's requirements;
- c. Review of performance of services similar to those proposed by the Contractor;
- d. Quality of proposed operations and maintenance plans for existing and/or proposed facilities;

- e. Review of Proposer's detailed technical operations and equipment plans confirm the performance predictions as represented in the proposal;
- f. Time required to develop a functioning system;
- g. Ability to meet implementation schedule and the soundness of the plan for transition to operations as described in the proposal;
- h. Ability and willingness to accept a broad range of materials for recycling – such as some or all of those identified as optional in the chart in Section 2.4;
- i. Proportion of work performed within the Minneapolis City Limits;
- j. Ability and willingness to accommodate educational and public tours of the processing facilities;
- k. Commitment to social marketing, advertising and education;
- l. Commitment to equal employment opportunity; and
- m. Commitment to employee and public safety.

#### **FINANCIAL CRITERIA AND PROPOSER SELECTION**

In evaluating cost structures submitted by Proposers, the City will compile and analyze the financial and performance inputs provided in each Cost Proposal. A financial analysis for each Cost Proposal will be completed covering the full term of service with net present value evaluations. The City will consider the Proposer's proposed direct costs and proposed revenue sharing associated with providing the services requested along with balance of system costs and external costs in determining which Proposer best meet the financial needs of the City. All proposals will be evaluated by criteria that will include but are not limited to:

- a. The financing capacity, experience and strength of the Proposer will be considered, especially the Proposer's ability to make needed start-up investments in equipment;
- b. Bondability and insurability;
- c. Verification that the proposed costs are consistent with the activities described in the proposal and the Proposer's operations and maintenance plans;
- d. Proposed revenue sharing arrangements and costs (if any);
- e. Appropriateness of the basis for unit cost escalation if any; and
- f. Financial sensitivity to changes in service.

Financial statements for the past three fiscal years

Provide a statement from the Chief Financial Officer indicating that there has been no material change in the financial circumstances of the proposing entity since the date of the last audited financial statements.

## OVERVIEW OF WASTE MANAGEMENT PROPOSAL FOR CITY OF MINNEAPOLIS

### ORGANIZATIONAL:

#### **A: Proposal understands and is consistent with the needs of the City**

The Waste Management Single Stream MRF is within City Limits

The proposal was consistent with the stated needs of the City. Proposal shows commitment and understanding of City goals.

#### **B: Proposer has demonstrated strength and experience in processing and marketing recyclables**

Waste Management operates largest MRF in Twin Cities; has several other municipal collection and processing agreements with no performance issues; several other facilities nationally of similar size; deducted a point for not having past SW or recycling work with City or demonstrated ability to work with City

Defined material markets

No previous experience w/ City of Minneapolis.

#### **C: Proposer has demonstrated experience providing contracted services to municipalities or other governmental agencies**

Provided information on a list of projects with but not describe how they were executed. Inadequate list of comparable projects to Minneapolis

Vendor provided long list of single stream recycling facilities but did not detail if owned or contract with government entity.

Similar experiences provided were for local contracts with much smaller scope including collection, not just processing

Waste Management provided the following Contractor Qualifications:

- Previous Similar Experience
- Personnel
- Use of Sub-Contractors
- Org Chart
- Safety Programs
- Permits, Licensure, Fines
- Leases

#### **D: Proposer accepts required terms/conditions of proposed contract(s) and has no major exceptions**

Waste Management proposal Well-organized and descriptive proposal well prepared, complete, and responsive to all parts of RFP

A well developed proposal addresses project goals and understanding of City requirements and goals; vendor demonstrates capabilities and credibility well in proposal

Bale Audit: The Contractor will allow the City to conduct an annual random audit of the composition of the various types of material and all types of bales produced by the facility.

**E: Proposer has ability/commitment to provide all necessary reporting**

Includes web based data management.

Proposal includes well developed data management system, daily and monthly availability of relevant data to the City; appear ready to enter/submit data to City in whatever format is required; using WM's RETi web based data management system. WM should clarify that all the following conditions can be met with their data system.

- Electronic reporting capabilities for the scale
- Provide paper weight tickets for each delivered load
- Ability to email required data
- Ability to, or obtain the tools to enter data by required deadlines into a City owned web-based data management tool
- Provide all reports, invoices, and recyclable material revenues from scaled weight when tipped at tipping floor in City area
- Daily paper weight tickets for each incoming City of Minneapolis
- Dated electronic reports in a format acceptable to City of Minneapolis with tonnage reports on end-products marketed by tons and overall residue rate;
- Monthly calculations for any revenue sharing arrangement formulas (average commodity revenue).

**F: High level of experience for facility manager and key personnel**

The number of staff available within the proposer's firm is consistent with the stated current throughput of the facility.

Twin Cities MRF Plant Manager has only 2.5 years of recycling experience - short term experience in MRF management.

WM included resumes for managerial, sales, and operations staff; staff has high level of experience either with WM or prior employment;

**G: History of regulatory compliance for the proposed facility and proposer organization (safety and environmental)**

Provided documentation of the status of existing permits, licenses, and other approvals from state and local sources.

Some litigation history. WM has a fairly lengthy history of litigation, mostly settled

Currently being investigation by Attorney General on contracting terms; no violations or pending regulatory actions

**H: Financing capacity and strength of Proposer, met bonding and insurance requirements**

Requested exception to Indemnity Clause

Professional Liability Insurance was demonstrated.

Financial statements included or clearly stated where publicly available; insurance appear to have been met;

One of the financial reports was only for two years

**I: Community Outreach and Education - Access to company and facility (e.g. response to educational tours, participation in community events)**

Proposal did not address commitment by Contractor to assist in special event presentation. Not a substantial commitment of contractor's personnel to assist in special events

Affiliated with Recyclebank

WM has excellent educational center and program as part of MRF facility; Accommodates fifty or more persons for educational tours

**J: References are of high quality and similar arrangements and recommend their services**

Lacks appropriate/similar projects to Minneapolis

References provided were of smaller communities with both collection and processing agreements with WM; references are local, reachable, would provide good recommendation

**TECHNICAL:**

**A: Availability of daily processing capacity for current obligations of the recycling facility including City recyclables**

The facility meets the throughput and capacity needs of Minneapolis. Waste Management facility does incorporate all components that are considered state of the art. The facility design and layout does provide adequate space and operational needs that meet the following requirements:

- Shelter the materials after tipping
- Have controlled access and security
- Accommodate tipping of material at a rate of less than 20 minutes (inclusive of actual time ejecting load);

- Accommodate at least three days storage of City material.

The proposal provided adequate detail of the processing system and equipment used for separation of commodities.

The facility stated throughput is 55-60 TPH with a rated monthly practical capacity of 27,600 tons with a current used capacity of 18,900 tons. The available capacity is 8,700 tons per month that meets the City of Minneapolis requirement of 3,900 tons peak. This suggests that the facility is operating 2 shifts and that additional processing throughput would require an additional shift.

The stated 89,000 sq. ft. capacity for processing and storage would hold approximately 1,000 tons or 1.5 days at current throughput.

The scale is available with recorded video for delivery from 5 pm to 11 pm that is a good option when there are mechanical problems with collection trucks.

It is not clear if there are wait times at the scale that would increase the truck turn around time. Waste management states that turn around time will not exceed 15 minutes AFTER the initial weigh-in.

The tip floor management strategy and layout provides a good option should material need to be removed from the tip floor and sent to a remote location for processing.

The contaminant Handling Procedures was vague and did not specify how hazardous waste would be handled.

**B: Proposal fulfills all requirements (i.e. maps, photos, org chart and experience) to City's satisfaction**

The proposal did include the following information:

- A site plan
- Clearly identify similar projects/contracts involving the proposer.

Document at least five years of experience delivering similar services to comparable clients.

Adequate detail provided; proposal provides high probability of success.

The 7.5% residual rate is high but this may be related to the quality of materials WM currently receive from other clients and bale audit procedure is unclear. Residue rates higher than City target of 4%. The bale audit procedure is similar to other municipal contracts but not complying with those contractual requirements. WM facility residuals 8% per MPCA Solid Waste Recycling Facility report included in Appendix B

**C: Management experience to deliver performance requirements**

Identify the members of the proposer's team that will serve in roles as they relate to the proposed

services including Key employee profiles

Identified several facilities of similar size but not necessarily of the scale of a single client the size and scope of the City of Minneapolis volumes.

Clear experience with facilities to similar size and scope within the United States.

**D: Proposal revenue sharing arrangements and costs**

WM proposed an ACR revenue sharing approach with 80% of the revenue above tipping fee to be shared with the City. Not clear what happens if the ACR value is below the tipping fee. WM has included Recycling Material Offset (net Below ACR) charges in contracts with other municipalities in the region.

**E: Contingency plans for continued recycling processing in the event of temporary/permanent shutdown**

The criteria stated in the RFP was:

Transfer of recyclable materials to another recycling facility location is acceptable as long as both the transfer site and the destination recycling facilities are fully presented as part of the Contractor's RFP response.

MRF conveniently located in north MPLS; all phases of operation to done at that site; did not address citizen drop-off

WM ability to accept and transfer MPLS materials to other locations in event of shutdown unclear, U of M Como Recycling Facility ability to accept MPLS volume unknown; transfer to MRF's considerable distance from Twin Cities (Germantown, WI; Chicago; etc.)

**G: Quality of facility, output and residue rates**

The processing system will then be capable of processing commingled fibers with an equipment configuration and layout that provides for the manual and/or mechanical separation of the different fiber types and their removal, sorting and baling for marketing.

The Waste Management Twin Cities MRF meets the following requirements:

- Accept and process plastic bottles, containers, jugs numbered 1 through 7 with caps or lids, plastic medicine bottles numbered 3 through 7 with caps or lids, aluminum cans, other aluminum, tin cans, steel cans, aerosol cans, other incidental household scrap metal, green glass, amber glass, clear glass, other glass and ceramics (optional), milk cartons and drink boxes;
- Separate, segregate, and remove residue and contaminants from all materials;
- Separate aluminum foil, wrappers, trays, or containers from aluminum beverage cans;
- Densify all aluminum material to acceptable market standards;
- Sort mixed glass bottles and jars by color (clear, amber, and green) and/or recover and market mixed color cullet or aggregate;

- Crush or break glass in a manner that controls noise, dust and particles;
- Bale or crush all ferrous or bimetal cans for market standards;
- Segregate HDPE by color where appropriate (HDPE neutral, light colors, dark colors);
- Bale or granulate HDPE into industry acceptable sizes and densities';
- Bale or granulate mixed miscellaneous #1-#7 plastic containers
- Be able to withstand damage from inadvertently inappropriate incoming material;
- Include, if feasible, the sorting capability to meet increased quantities and/or types of incoming materials as markets become available (e.g., mixed rigid plastics, plastic film, etc.)

Waste Management expanded the list of materials to include:

- Frozen Pizza Boxes(Clean)
- Pizza Boxes (Clean)
- Paper Only Egg Cartons
- Plastic Cups
- Incidental Household Metal to include Pots and Pans
- All Clean Bulky rigid Household plastics
- Cleaned bagged mixed plastic films (Does this mean PP ?). – Needs to be discussed

Waste Management will NOT accept the following materials:

- Window Glass
- Microwaveable Trays
- PS Foam Egg cartons
- Plastic Bags such as Newspaper sleeves
- Ziploc, freezer or sandwich bags

Waste Management does NOT meet the City requirement for acceptable contamination levels (out-throws) for Recyclable Materials that will be no more than 4% (trash and other prohibited materials).

**H: Extent of proposed deviations from specifications in RFP**

No major exceptions only possible exception to agreement for consideration is to indemnification provision for Shared Responsibility of Non Recyclables. Reasonable Exception.

**FINANCIAL**

Base fee seems high and that they are more than covering their operational costs. Interested in a floor price. Each ton of Minneapolis material should be bonus to their current operation

The financials are comparable to the costs presented to council with a \$70 per ton tip fee and a 100%

revenue share

Waste Management Fee Proposal:

- Processing fee of \$62.50 per ton for all Tiers; no price escalation
- Revenue sharing using average commodity revenue approach (ACR)
- 80% of revenue to City
- 8% deduction for residuals higher than contract goal of 4%

The following table is an assessment of the Waste Management Cost Proposal for different volume scenarios. This is based on the 62.50 per ton tip fee for delivered to the facility with an 80% revenue share based on the Average Commodity Revenue Approach. Waste Management proposed no price escalators.

	Single Sort Semi Auto Biweekly	Single Sort Semi Auto Biweekly	Single Sort Semi Auto Biweekly	Single Sort Semi Auto Biweekly BASECASE	Single Sort Semi Auto Biweekly	BASELINE Predicted
Size of Cart (gals)	96	96	96	96	96	97
Number of Carts	105,226	105,226	105,226	105,226	105,226	105,226
<b>Curbside Tonnage (lbs/HH/Yr)</b>	<b>450</b>	<b>500</b>	<b>550</b>	<b>600</b>	<b>650</b>	<b>600</b>
Tons per Year (100% Participation)	23,676	26,307	28,937	31,568	34,198	31,568
Participation Percentage	90%	90%	90%	90%	90%	90%
Total Tons Delivered	21,308	23,676	26,043	28,411	30,779	28,411
Tip Fee	\$62.50	\$62.50	\$62.50	\$62.50	\$62.50	\$70.00
Total Processing Cost	\$1,331,767	\$1,479,741	\$1,627,715	\$1,775,689	\$1,923,663	\$1,988,771
Residue Rate	8%	8%	8%	8%	8%	4%
Total Tons Marketed	19,604	21,782	23,960	26,138	28,316	27,275
Revenue Share	80%	80%	80%	80%	80%	100%
ACR						
Low	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00
Average	\$96.21	\$96.21	\$96.21	\$96.21	\$96.21	\$96.21
High	\$115.07	\$115.07	\$115.07	\$115.07	\$115.07	\$115.07
Revenue Share Credit (includes 8% Residue Rate Deduction)						
Low	\$274,450	\$304,945	\$335,439	\$365,934	\$396,428	\$272,746
Average	\$528,670	\$587,411	\$646,152	\$704,893	\$763,634	\$714,867
High	\$824,460	\$916,067	\$1,007,673	\$1,099,280	\$1,190,887	\$1,229,284
Net Processing Cost						
Low	\$1,057,316	\$1,174,796	\$1,292,275	\$1,409,755	\$1,527,234	\$1,716,026
Average	\$803,097	\$892,330	\$981,562	\$1,070,795	\$1,160,028	\$1,273,905
High	\$507,307	\$563,674	\$620,041	\$676,409	\$732,776	\$759,487
Net Cost per Ton						
Low	\$49.62	\$49.62	\$49.62	\$49.62	\$49.62	\$60.40
Average	\$37.69	\$37.69	\$37.69	\$37.69	\$37.69	\$44.84
High	\$23.81	\$23.81	\$23.81	\$23.81	\$23.81	\$26.73

The following table provides information on processing contracts within the Minneapolis Metro region.

Municipality	City of Brooklyn	City of Edina	Golden Valley, Minnetonka, Plymouth	Maple Grove
Contractor	Waste Management	Allied Waste	Waste Management	Allied Waste
Effective Date	July 6, 2010	August 6, 2012	January 1, 2010	
Term		7 Year	10 Year	
Number of Households	27,900	14,250	22,745	
Processing Cost per Ton		\$74.00	\$52.62	\$70.00
Revenue Share Percent		100%	75%	100%
Processing Cost per Ton w/RMO*	\$57.25		\$66.55	
Revenue Share Percent w/RMO*	80%		80%	
Residue Charge				5%
Total Tons Delivered			6,012	
ACR				
Low	\$40.00	\$41.00	\$42.00	\$43.00
Average	\$96.21	\$96.21	\$96.21	\$96.21
High	\$115.07	\$115.07	\$115.07	\$115.07
Revenue Share Credit				
Low	-\$25.25	\$0.00	-\$32.95	\$0.00
Average	\$19.72	\$22.21	\$10.42	\$26.21
High	\$34.81	\$41.07	\$25.51	\$45.07

\* Recycling Material Offset (net Below ACR)