TO: Environmental Commission

FROM: Howard S. Lazarus, City Administrator

DATE: February 10, 2017

SUBJECT: Ann Arbor MRF Status Update and Staff Recommendations for Next Steps

On July 7, 2016 the contract with the City's previous on-site operator of the City-owned Material Recovery Facility (MRF) and waste Transfer Station was terminated, which resulted in an end to their services on July 11, 2016. In the subsequent time period, the City staff has been working to provide uninterrupted and continued single-stream recycling collection and processing of those collected materials to the Ann Arbor community. In addition, efforts have been made to determine the feasibility and needs to resuming full processing operations at the MRF. The following updates on these efforts are provided to the Environmental Commission for your review and consideration.

INTERIM OPERATIONS RFP PROCESS

Following the termination of the contract with the previous on-site operator, on August 4, 2016, City Council approved Resolution R-16-311, which ratified an emergency purchase order to Waste Management of Michigan for a six-week period that was put in place at the time of the termination, thus providing uninterrupted services to the community. On September 9, 2016, City Council approved Resolution R-16-360, which approved a contract with Waste Management of Michigan to perform short-term operations of the MRF and Transfer Station for a period of approximately six months, until the completion of the City's procurement process to obtain the services of an Interim Operator for the MRF and Transfer Station.

On August 12, 2016 the City issued RFP (request for proposal) No. 980 to solicit and select a contractor to perform interim operations of the MRF and solid waste Transfer Station until the City completes a thorough and well-defined process to procure a long-term, multi-year operator for these essential City services. The condition of the sorting equipment at the MRF is such that it cannot be operated in a safe manner; therefore, the

RFP requested proposals from firms to receive the City's single-stream recyclable material at the MRF and to use the City's baler (which was replaced in June, 2016) to bale the single-stream material and transport it to the proposer's facility for sorting and delivery to market.

In addition, the scope of work requested in the RFP included operation of the City's Transfer Station Facility, which entails handling the City's municipal solid waste (MSW) delivered to the Transfer Station, loading the MSW into transfer trailers and delivering it to the Woodland Meadows Landfill in Wayne, Michigan.

The RFP was modified and clarified through four separate addenda. The major revisions to the scope of work requested in the RFP included:

- Adding that the work plan was to include providing an on-line computerized scalehouse tracking system.
- Adding that the work plan was to include provisions for the contractor to provide the labor, maintenance equipment and material to perform on-site processing of recyclable in the event that if the City is able to complete the repairs and adjustments to the sorting line and related equipment during the term of this contact. The repairs of the equipment were not included in the RFP.

The other major aspects included in the addenda was to provide written responses to the 69 questions from potential proposers and to extend the due date for proposals. The final due date for submitting proposals was October 28, 2016.

Evaluation of Proposals

Three proposals were submitted to the City in response to this RFP No. 980. The proposers were Emterra Environmental USA, Recycle Ann Arbor and Waste Management of Michigan. The proposals were reviewed by a staff committee, who then decided to interview all three proposers. Following the review of the proposals, fee submittals and interviews, the staff committee evaluated and scored the proposers based on their Professional Qualifications (20%), Past Involvement with Similar Projects (40%), Proposed Work Plan (30%) and Fee Proposal (10%).

Emterra Environmental USA

The staff committee's review of the proposal and interview by Emterra Environmental USA determined this proposer to be quite strong in the professional qualifications of the staff and firm to perform the requested work (composite score: 17.6), as well as past experience with similar projects/work (composite score: 36.4). The committee noted the strong commitment to the team's advanced use of leading edge technology explained in detail during their interview (work plan composite score: 27.4).

Evaluation of all of the base fee proposals for recycling services (baling, transloading and processing at their facility) and transfer station operations was performed by taking the submitted fees and applying them to the tons of recycleables and municipal solid waste (MSW) processed at the MRF and transfer station in September 2016 as a base, or

sample month. By performing this calculation using Emterra Environmental USA's fee proposal resulted in a cost of $242,138.69 (second highest of the proposers, 25% higher than the lowest cost, composite score: 6.4)

The staff evaluation committee's total composite score for Emterra Envrionmental USA following the proposal review, interview and fee calculation comparison was 87.8.

Recycle Ann Arbor

The staff committee's review of the proposal and interview by Recycle Ann Arbor determined this proposer to not be as strong with the professional qualifications of the staff and firm to undertake the requested work (composite score: 12.6), and less so in past experience with similar projects/work (composite score: 18).

The committee noted the team's strong preference to perform the recycling services through an alternate method of loose loading and transporting the recyclables to the processing facility instead of baling and transloading as requested in the RFP. This work activity would be performed at the Transfer Station rather than at the MRF. The Recycle Ann Arbor team indicated that this would reduce the amount of residual material at the end of the material processing. In evaluation of this alternative method, staff has estimated that the additional trucking needed to transport the loose loaded material compared to the trucking for the baled method would result in 2.45 times more greenhouse gas (GHG) emmissions being generated with the loose loading method. Additionally, the residual rate found in the material audit of the current baled and transport operations under the short-term operations contract indicate an 11% residual rate for the recyclable material, which is in line with the rate realized by the City's former contract operator when recyclables were processed at the MRF. Another consideration is that beginning in July 1, 2017 the operation of the Transfer Station will performed by the new Landfill Disposal Services contractor (RFP anticipated to be issued by February 17, 2017). Based on the higher resulting GHG, compared to the anticipated relatively low reduction in residual rate, and that the transfer station will be operated by a different contractor beginning July 1, 2017 creating logistical/coordination concerns, this optional method is not being selected for the interim operations contract.

The committee also noted the Recycle Ann Arbor work plan noted that it included an attachment that outlined an "assessment of the Ann Arbor MRF currently," and "recommendations for making the facility whole again as quickly as possible." This section of the work plan continued by indicating that "with a relatively small investment of time and money by the City… the facility can be operational in 30-60 days, saving the city tens of thousands of dollars per month in recycling transfer costs in the process. This assessment confirms the report of the CP Group, which stated in their report from July 2015 that 'the equipment is performing as designed and the equipment is in good operating condition overall.' " The referenced attachment stated that "repair work would take no longer than 60-days and cost no more than $200,000 to bring the Ann Arbor MRF back into safe and efficient operation. Based on that conclusion, we strongly recommend that Recycle Ann Arbor provide a price proposal for operating the Ann Arbor MRF in order to recover the City's recyclables."

When asked by the staff committee during the interview if the team would include this time duration and cost figure as fixed, guaranteed contract items, Recycle Ann Arbor declined to include that provision to the contract. In addition, the team's major sub-contractor, Rumpke Recycling, indicated that they would want to inspect the equipment before they would suggest any estimate or provision for repair of the equipment. This inconsistency among the proposing team members as well as with the submitted proposal raised concerns among the staff committee members. (Work plan composite score: 19.2).

By performing the cost proposal evaluation as described earlier using Recycle Ann Arbor's fee proposal resulted in a cost of $285,092.92 (highest of the proposers, 47% higher than the lowest cost, composite score: 6.6)

The staff evaluation committee's total composite score for Recycle Ann Arbor following the proposal review, interview and fee calculation comparison was 56.4.

Waste Management of Michigan

The staff committee's review of the proposal and interview by Waste Management of Michigan determined this proposer to be strongest in the professional qualifications of the staff and firm to perform the requested work (composite score: 18.8), as well as past experience with similar projects/work (composite score: 38). The committee noted the reduced depth and detail in the written work plan submittal. The Waste Management team explained in the interview that their work plan was based on the scope of the current short-term operations contract and indicated that in hindsight they should have added more detail in their work plan (work plan composite score: 15).

By performing the cost proposal evaluation as described earlier using Waste Management of Michigan's fee proposal resulted in a cost of $193,341.47 (lowest of the proposers, composite score: 9.6)

The staff evaluation committee's total composite score for Waste Management of Michigan following the proposal review, interview and fee calculation comparison was 81.4.

Staff Recommendation

Following the review of all of the submitted proposals, interviews of all the proposers, and evaluation of all of the fee proposers, noting the close total composite scores between Emterra Environmental USA and Waste Management of Michigan, but the 25% cost differential ($48,797.22 savings in the sample monthly cost) favoring Waste Management of Michigan, staff recommends that the interim operations contract be awarded to Waste Management of Michigan.

Funding for these services was budgeted under the previous contract pricing in the Solid Waste Operation and Maintenance Budget at a monthly cost of approximately $60,000.00 or $720,000.00 annually. Since the termination of the existing contract, short-term

operating costs through January 2017 are $1,381,303 for the recycling (8,457 tons of recyclables) and transfer station (30,531 tons of MSW) operations and interim monthly costs are estimated to be $200,000.00 monthly or an additional $1,000,000.00 through June 2017 and the end of the current fiscal year. It will therefore be necessary for City Council to appropriate the difference between budgeted and estimated contract costs, approximately $1,700,000, from the available Solid Waste Fund Balance. Future contract costs will be budgeted in the annual budgeting process.

RETURNING THE MRF TO FULL OPERATIONS

Following the termination of the contract with the City's previous on-site operator, City staff has undertaken work of immediate need at both MRF and Transfer Station, such as repairs and replacements of numerous doors at both facilities and repair of the truck scale. City safety staff as well as operational staff have identified several other items that need to be addressed at both facilities through inspections and observations. A high-level summary of these items is provided below:

MRF Facility - Currently Known Needs

- Roof needs repair (existing leak onto tip floor) and full inspection
- Downspouts damaged, disconnected, and missing
- Siding needs to be repaired
- Building needs to be powerwashed (excessive dust)
- Multiple safety electrical repairs/replacements
- Multiple safety signage repairs/replacements
- Water infiltration needs to be eliminated
- Equipment needs to be rearranged/adjusted to provide adequate egress
- Broken windows need to be replaced
- Ceiling tiles over conveyor equipment need to be replaced
- Debris needs to be removed from ceiling
- Unused equipment needs to be removed from around facility
- Crumbling concrete barrier at the back side of the tip floor needs to be replaced

Current planning level cost estimate: $300,000 – $350,000

Transfer Station Facility - Currently Known Needs

- Roof needs full inspection, and potential repairs
- Downspouts damaged, disconnected, and missing
- Siding needs to be repaired
- Building needs to be powerwashed
- Grinder pumps not functioning
- Sewer drain located in middle of tip floor filled in with concrete and needs to be replaced, including redesign and replacement of tip floor
- The truck entrance needs to be widened
- Entrance/Exit Gates need to be repaired/replaced

Current planning level cost estimate: $270,000 – $300,000

Sorting and Processing Equipment

Two independent equipment evaluations have been conducted - - one by Waste Management and their subcontractor Alexander Industrial Technologies, Inc. (AIT) at the end of 2016, and the second by CP Manufacturing (manufacturer of the single-stream equipment), which was recently completed at the site on February 3, 2017. As of the writing of this report, staff has not yet been received the written assessment report from CP Manufacturing. However, staff was present during portions of the two-day inspection and had verbal conversations with the CP technical staff that performed the assessment, and those verbal conversations are included in the following summary of findings.

Both assessments noted limitations on space to access and safely perform proper preventative maintenance on the equipment resulting from the configuration of the system and the footprint of the building. With the condition of the equipment from the apparent lack of maintenance that it has received, neither of the separate assessors/inspectors would operate the equipment due to its unsafe condition. As a result, the full scale of repairs needed to bring the existing equipment back to full operation has not been determined by either assessment. An initial level of investment would be needed to put the equipment into a state that it would be safe enough to activate and then allow for further inspection and assessment of the equipment under operating conditions.

The Waste Management assessment provided a minimum estimated range of $50,000 - $200,000 for the most critical initial repairs to allow the equipment to be activated, with an additional minimum estimated range of $50,000 - $200,000 for other repairs noted under static conditions. In other words, the estimated minimum range of investment to perform repairs observed without the equipment being operated is $100,000 - $400,000. It is anticipated that there would be additional repairs at an unknown cost identified after the equipment is operated. Based on the discussions with the CP Manufacturing staff member at the site, city staff are preparing for an even larger estimate of costs for repairs in the CP Manufacturing report.

Both assessments noted the vintage of the equipment. Both indicated that the front portion of the system is part of the original dual-stream process equipment and that there is a lack of available replacement parts for this portion of the system. In addition, the CP Manufacturing staff member described the existing MRF equipment as early-generation style equipment, correctly noting that it is very dependent on a high level of manual labor to operate properly, while current equipment designs utilize technology to a much higher degree, greatly reducing the amount of manual labor necessary for its operation.

Staff Recommendation

Staff recommends the following next steps with regards to the MRF and Transfer Station:

- Focus staff efforts on repairs at the Transfer Station facility
- City staff engage Washtenaw County staff regarding the potential for regional MRF/recycling program and facility
- City staff develop and present a recommendation to policymakers regarding how to restart full processing at the MRF