



TO: Environmental Commission

FROM: Cresson S. Sloten, P.E., Systems Planning Manager

CC: Howard S. Lazarus, City Administrator
Craig Hupy, Public Services Area Administrator

DATE: February 14, 2017

SUBJECT: Responses to Commission Questions Regarding Staff Presentation on MRF Issues at February 15, 2017 Environmental Commission Meeting

Question: In September, 2016, how many tons of recyclables and MSW were processed (i.e., what numbers were used to calculate the three proposals' costs)?

Response: In September, 2016 there were 1328.45 tons of recyclables and 4843.76 tons of MSW.

Question: Each of the three proposals outlines different scenarios. Which did you use to calculate each of their costs?

- For Emterra's bale and ship option, did you use the processing fee/ton with commodity revenue or processing fee/ton without commodity revenue (i.e., \$188.81 + revenue or \$118.50/ton)?

Response: Bale and Ship - \$118.50/ton Flat Fee without credit

- For Waste Management, did you calculate using \$132/ton or did you include estimated commodity revenue (\$132 - \$65.83) and calculate at \$67.17/ton?

Response: Bale and Ship - \$132.00 - \$71.76 = \$60.24/ton (based on published index of blended value commodities, September market, 100% credit to City as blended value <\$132)

- Which scenario did you use to calculate RAA's costs? And if it's baling recyclables, did you use \$160.46/ton (including commodity revenue) or \$214.99 (without commodity revenue)?

Response: Bale and Ship - \$214.99 - \$54.53 = \$160.46/ton (using submitted sample average commodity revenue credit)

Question: Staff expenses are not included in Emterra's fees or Waste Management fees (though they are included in Emterra's proposal). RAA did include staff expenses in its proposal and its fees. How did you weigh staffing and compare the other two to RAA's proposal?

Response: Emterra's fees and Waste Management's fees are set, fixed fees, inclusive of labor, equipment and materials to perform the stated services, thus not requiring staffing comparisons. If Emterra or Waste Management were to require additional staffing to perform the work, they would have to absorb that cost as the fee could not be adjusted.

Question: Emterra and RAA both include detailed maintenance schedules and procedures. Waste Management did not address this in their proposal. Did WM address it during your interview? If yes, what did they say? If not, how did you weigh this lack against the other two proposals?

Response: WM addressed the issue during the interview process, within their presentation and provided supplemental clarification documentation "Summary of Current Operational Practices and Procedures for the Interim Operation of Ann Arbor Materials Recovery Facility (MRF) and Waste Transfer Station." Topics covered in the documentation:

1. Material Recovery Facility Operations
2. Material Marketing and Critical Safety Rules
3. Transfer Station Operations and Critical Safety Rules
4. Compliance Summary and Safety Program Details

Question: How did you include the \$50K/month Waste Management will charge to operate the transfer station in your cost evaluation?

Response: It was included in the total calculated cost for each vendor; the calculations were made including all supplemental monthly costs.

Question: A member of EC thinks the transfer operations were removed from RFP 980 and will now be included in the RFP for the new landfill contract instead. Is this the case?

Response: The operation of the Transfer Station was included in the RFP 980 scope of work. In developing the scope of work for the Landfill Disposal Services RFP that is necessary due to the upcoming expiration of the current contract on June 30, 2017, the City's consultant (CB&I) recommended including the Transfer Station operations in the Landfill Disposal Services RFP. Therefore, the Interim Operations contract resulting from RFP 980 will include the operation of the Transfer Station until June 30, 2017 and these operations will move to the vendor selected for the Landfill Disposal Services contract on July 1, 2017.

Question: Staff's evaluation of RAA's proposal to sort and loose load at the transfer station expressed logistical/coordination concerns. Can you explain these concerns? I would assume current operations at the transfer station are at least standard (if not best) practice. The MDEQ has okayed it. The City will presumably produce the same amount of waste. Why would a different operator be so disruptive?

Response: Under this loose load option, there would be City trucks operated by RAA staff and City trucks operated by City staff delivering recyclables, then RAA staff loose loading the recyclables into semi-trucks with open top trailers to transport the material for processing; and, City solid waste trucks and commercial franchise trucks delivering MSW at the same facility, being loose loaded into open top trucks by the Landfill/TS Operator Contractor. These dual, parallel operations by two different operating groups would all be occurring in a space designed and intended solely for MSW transfer operations, particularly the dual use of the single drive-through bay for loading the transfer trucks. Two separate operations by different contractors utilizing, and vying for this same workspace to each accomplish their required work in a safe and timely manner would not be a tenable situation for the City.

Question: Is the City's current landfill rate \$14.18/ton? If not, what does the City pay under the landfill contract that expires in June 2017?

Response: The current landfill rate is \$14.18/ton, which includes state and county fees.

Question: I don't understand Staff's recommendation to award the contract to WM in light of what I view as its publicly-announced and thus binding RFP evaluation criteria (p. 13-14) and evaluation process (p. 14-15). Based on the City's criteria and the Administrator's 2/10/17 letter to the Commission (and, perhaps, per its file name to the Mayor and Council) where Emterra's proposal received the highest score for criteria A - C (and for that matter A - D), how can the City in effect overrule its own RFP and evaluation and recommend WM? In effect, it is acting as if the fee structure is not a 10% criteria but one weighted much higher. **According to my reading of p. 15 and especially point 4 of the RFP, the City is obligated to recommend Emterra and then negotiate more favorable fees with it.**

Response : As noted in Section **H. Type of Contract**, found on p. 6 of the RFP:

The City reserves the right to award the total proposal, to reject any or all proposals in whole or in part, and to waive any informality or technical defects if, in the City's sole judgment, the best interests of the City will be so served.

In addition, Section **Q. Reservation of Rights**, found on page 8 of the RFP states:

1. The City reserves the right in its sole and absolute discretion to accept or reject any or all proposals, or alternative proposals, in whole or in part, with or without cause.

Additionally, the Emterra team was approached regarding providing a reduced fee, but they declined to provide any adjustment to their fee proposal.

Question: CC approved a WMI contract of \$60K/month or \$720K annualized. Staff memo indicates, however, that the costs since June 2016 have been \$1.38M – that is, \$200K/month rather than the budgeted \$60K/month. Staff indicates further that going forward the figure will be \$200K/month rather than the previously indicated \$60K/month.

Response: The \$60,000 monthly/\$720,000 annual budget cost discussed in the memo to the Environmental Commission is the figure that was budgeted under the former, ReCommunity contract, rather than for the Short-Term Operations contract with Waste Management of Michigan, which occurred after the completion of the budget process for FY17.

When the currently in-place short-term operations contract with Waste Management of Michigan was presented to City Council on September 9, 2016, the cover memo noted that the interim operating contract may not be in place until January, 2017, a duration of approximately four months. The memo also stated that based on the quantities of recycling and solid waste handled during the first three weeks of emergency operation of the MRF and Transfer Station following the termination of the contract with ReCommunity, it was estimated that \$588,734 would be utilized for this four-month period, which is approximately \$147,000 per month. This initial three-week data snapshot of City-only material handled at the MRF and Transfer Station was prorated to a monthly amount to generate the initial estimate. Concurrently at the same time, the City had contracted with two additional vendors to process recyclables during the emergency situation to provide uninterrupted service to the community, and those weights were inadvertently not included in this estimate.

Recognizing this to be a partial month snapshot for an initial estimate, the memo noted “the unknown quantity of recyclable and solid waste materials that will need to be handled during this period” and as a result the contract cannot have a maximum, not-to-exceed total value, but that the contractor would be compensated at the contract unit prices for the materials actually delivered to the MRF and the Transfer Station. With the total cost from mid-July to the end of January (6.75 months) being \$1,381,302.62 for an average of \$204,637, resulting in the current monthly estimate of \$200,000/month being based on a larger data set than the initial partial month that was necessary to be used for the initial estimate.