



## MEMORANDUM

TO: Mayor and Council  
FROM: Howard S. Lazarus, City Administrator  
DATE: April 11, 2017  
SUBJECT: Interim Operations Services – Materials Recovery Facility

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**PURPOSE:** I am forwarding this memorandum to inform Council that staff is presenting the following two related items for consideration at the April 17<sup>th</sup> Council meeting:

- Resolution to Approve Interim Operations Services Agreement with Recycle Ann Arbor, for Ann Arbor Material Recovery Facility (MRF) (Estimated \$1,272,216.00 - \$1,375,992.14/Year in First Year).
- Resolution to Approve Interim Operations Services Agreement with Waste Management of Michigan, Inc. for Ann Arbor Material Recovery Facility (MRF) (Estimated at \$1,172,236.10/Year in First Year).

These items will be listed on the agenda under “DS New Business – Staff” as staff is requesting the Council authorize the award of one of these agreements, but not both.

**DISCUSSION:** At its March 6, 2017 meeting, Council directed “the City Administrator and staff to negotiate a services agreement with Recycle Ann Arbor (RAA) with the condition that it contain certain terms to provide interim operation services at the City's Material Recovery Facility (MRF) and Waste Transfer Station, and to bring a recommended agreement to City Council for approval. The attached resolution directs that if the negotiations with RAA are not successful, the City Administrator and staff shall bring a recommended services agreement with Waste Management of Michigan, Inc. (WMM) to provide interim operation services at the City's MRF and Waste Transfer Station to City Council based on its proposal in response to RFP #980.” Upon receipt of this direction, staff commenced good faith negotiations with RAA to reach a contract competitive with WMM’s.

The primary difference between the two proposals was that RAA offered a “loose loading” approach of materials that RAA stated would provide increased environmental benefit over the baling of recyclable materials WMM proposed. These environmental benefits included lower residuals and contamination of the recyclable materials (resulting in a higher market value of the materials) and lower carbon emissions. RAA further proposed that it could offer this approach at a cost competitive with that of WMM. The difference between the cost for RAA and the cost for WMM ranges from \$99,979.99 (8.5%) to \$203,756.04 (17.4%), with RAA’s proposal resulting in a higher total cost. The lower RAA cost proposal is for its loose loading approach. Staff believed that this approach carried with it a performance risk, and asked RAA for

a price should it not be able to loose load the materials. The higher cost represents RAA having to bale the materials as WMM proposed.

I have asked staff to forward both proposals to Council as the cost differential for RAA's loose loading option may be considered competitive with the baling approach that WMM provided if community value benefits are considered. The 8.5% difference in cost merits a Council discussion on the community value benefits (proposed lower net greenhouse gas emissions, lower residual rates, and less contamination of the materials). In its evaluation, Council should also consider the following risk factors:

- Staff has requested performance bonds from both RAA and WMM. Performance bonds protect the City in the event that the contractor is not able to provide the contracted services to the levels specified and a replacement contractor is needed to perform those services.
- In the event that RAA cannot provide the loose loading alternative and switches to baling, the incremental cost is 17.4%, which is not competitive with WMM. However, the switch to baling is not automatic. The contract requires City concurrence before switching to a baled approach, and allows for termination if RAA cannot meet its stated environmental goals.

Staff has provided additional details on the contract cost evaluations in the agenda items. As always, please do not hesitate to contact me if you have any questions or if you require additional information.

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