



## Legislation Text

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**File #:** 10-1097, **Version:** 1

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### Resolution to Approve Contract With WeCare Organics for Operating the Ann Arbor Compost Facility (not to exceed \$200,000.00 annually)

The City owns a 26 acre composting facility located at the Wheeler Service Center, which it has been operating since 1990. The facility has played a significant role in reducing the amount of solid waste that is sent to landfills, providing savings in tip fees and environmental benefits such as a locally produced compost product and a reduced carbon footprint.

The compost facility has been operated with city staff since its inception. The operation has won awards and has generally produced a very high quality product. Operating costs for the facility are shown in Attachment A. When evaluated on a per-ton basis, these costs are high compared with industry standards.

Recognizing that there might be an opportunity for another private-public partnership, staff issued RFP 730 in May 2009 for compost operations. Public-private partnerships have been very successful in other city operations, such as operating the City's Material Recovery Facility (contracted with FCR), as well as providing curbside recycling collection (contracted with Recycle Ann Arbor).

Four proposals were received in response to RFP 730. The selection committee chose St. Louis Composting as the finalist, and began negotiations with them. However, towards the end of the negotiations St. Louis Composting asked that their proposal be withdrawn due to weakened markets for finished compost and their failure to negotiate incoming merchant tonnages. The selection committee agreed to withdraw the proposal on May 4, 2010. Because of the time that had elapsed, staff chose to re-issue the RFP instead of beginning negotiations with another proposer from RFP 730.

On July 6, 2010, staff issued RFP 730A for compost operations. Three proposals were received in response to this RFP:

- Spurt Industries (Zeeland, MI)
- New England Organics (Portland, ME)
- WeCare Organics (Jordan, NY)

Proposals were first evaluated on the technical merits of the proposal and the companies experience in the field. The financial merits of the proposals were only then reviewed and evaluated after the initial, non-financial, merits were ranked. The selection committee gave WeCare Organics the highest ranking in the non-financial portion of the RFP and they were determined to have the lowest costs to the city over the five year contract, as shown in Attachment B. Spurt Industries ranked slightly higher in the revenues that they estimated for the city, but that was primarily because they estimated significantly higher incoming merchant tons per year: up to 38,000 tons per year, versus a maximum of 21,000 tons for WeCare Organics. The selection committee felt that WeCare Organics

had presented a more realistic estimate.

The selection committee chose WeCare Organics as the finalist, and interviewed them on September 13, 2010. The interview was rated as very favorable by the entire selection committee. Three references were contacted after the interview, and all three were extremely favorable. WeCare Organics has a number of large and long-term contracts with municipalities throughout the Northeast that are similar to our operations

Staff is recommending that compost operations be transitioned to WeCare Organics on January 1, 2011.

This transition will save the city an estimated \$408,000.00 in costs for the compost facility in FY12, the first full fiscal year of operations, with increased savings in subsequent years. Projected costs under the WeCare contract are shown in Attachment C. Existing permanent city staff at the site (2 operators, 1 mechanic, and 1 supervisor) will be transitioned to other positions within the city.

Under the contract with WeCare Organics, the city will pay WeCare a tip fee for each ton of compostable material brought to the facility, starting at \$19.00 per ton in 2011 and declining in future years. In the first full fiscal year, it is estimated that the city will pay WeCare Organics \$171,000.00 in tipping fees. Staff is recommending budgeting up to \$200,000.00 per year, to allow for possible seasonal variations in compostable materials and the development of tonnage from the source separated organics (food waste) program. On the revenue side, the city will receive \$1.00 per ton for incoming merchant tons brought to the facility, as well as \$.50 per ton for outgoing finished product. It is estimated that this will total \$36,000.00 in the first full fiscal year.

WeCare will sell smaller quantities of finished product through the drop-off station and other local outlets. Larger quantities (2 cubic yards or more), will continue to be sold at the compost site. The product will be sold under the WeCare brand, which has been well-established in other states. WeCare will continue to have the product tested and certified through the U.S. Composting Council.

Prepared by: Tom McMurtrie, Systems Planning Unit

Reviewed by: Matthew J. Kulhanek, Fleet & Facility Manager, Sue F. McCormick, Public Services Administrator

Approved by: Roger W. Fraser, City Administrator

Whereas, The city has owned and operated a composting facility since 1990;

Whereas, The city has developed successful public-private partnerships in several other operations, including partnerships to operate the city's Material Recovery Facility and for curbside recycling collection;

Whereas, The city issued RFP 730A requesting proposals to operate the city's composting facility, and received three proposals in response to that RFP;

Whereas, WeCare Organics received the highest ranking of the three proposals, and offered the lowest tipping fee costs of the three proposals;

Whereas, The city estimates a savings of at least \$408,000.00 per year by developing a public-private partnership with WeCare Organics;

Whereas, the four existing permanent staff that work at the composting facility will be placed in other positions within the city; and

Whereas, WeCare Organics received Human Rights and Living Waste approval on October 18, 2010;

RESOLVED, That City Council hereby authorize a five-year compost operating contract with an option to renew for an additional two-year term with WeCare Organics substantially in the form on file in the City Clerk's office;

RESOLVED, That City Council authorize the option to extend the contract under the same terms and conditions for one-two year period subject to the annual appropriation of funds;

RESOLVED, That the total paid to WeCare Organics not exceed \$200,000.00 per fiscal year;

RESOLVED, That the Mayor and City Clerk be authorized to sign this contract approved as to form by the City Attorney and approved as to substance by the City Administrator; and

RESOLVED, That the City Administrator be authorized to take any additional steps necessary to implement this contract.