



Legislation Text

File #: 16-1797, **Version:** 2

Resolution to Direct City Administrator to Negotiate a Services Agreement with Recycle Ann Arbor for Interim Operation of the Ann Arbor Material Recovery Facility and Waste Transfer Station and to Amend the Solid Waste Fund Operations and Maintenance Budget by Appropriating \$1,680,000.00 from the Solid Waste Fund Balance **(8 Votes Required)**

The attached resolution directs 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.

On August 4, 2016, City Council approved Resolution R-16-311, which ratified an emergency purchase order to WMM for a six-week period following the termination of the contract with the previous on-site operator of the City-owned MRF on July 7, 2016, which ended their services on July 11, 2016. On September 9, 2016, City Council approved Resolution R-16-360, which approved a contract with WMM to perform short-term operations of the MRF and Transfer Station until the completion of the City's procurement process to obtain the services of an Interim Operator for the MRF and Transfer Station.

In order to continue providing uninterrupted solid waste and recycling services for the community, it is necessary to enter into this interim agreement to provide these services until long-term contractors can begin operating the MRF and Transfer Station.

The City undertook a request for proposal process (RFP #980) to solicit and select a contractor to perform interim operations of the MRF and 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. Three proposals were received by the City in response to this RFP #980. The proposers were Emterra Environmental USA (Emterra), RAA and WMM.

A staff committee reviewed the proposals and interviewed all three proposers. Following the review and evaluation process, the committee selected WMM for this Interim Operations contract, due to their work plan and interview, and as their costs were the lowest of the three proposers.

At its meeting on February 23, 2017, the Environmental Commission reviewed the three proposals, including the proposed pricing and services in each, and reviewed a memorandum and presentation from staff titled *Ann Arbor MRF Update and Staff Recommendations for Next Steps*.

Following its review and the presentation from staff, and based on its belief that loose loading is the "universally accepted best practice" for recycling, the Environmental Commission adopted a

resolution recommending that City Council “direct the City Administrator to negotiate and execute a contract with Recycle Ann Arbor for loose loading recyclable material at a price competitive with the others received.” A copy of the Environmental Commission’s February 23, 2017, resolution is attached. Also attached are copies of the materials provide to the Environmental Commission for its meetings on February 15 and 23, 2017. Copies of the proposals from Emterra, WMM and RAA are provided as well.

Because the City’s long-term contract for landfill services terminates at the end of June 2017 and cannot be renewed or extended, and because the combination of Transfer Station and landfill services, including transport from the Transfer Station to the landfill, is considered a more efficient and cost effective way for those services to be provided, an RFP is now pending for a contractor to provide those services, to be awarded before the current landfill contract ends. (RFP 17-05 for Solid Waste Transfer, Transport and Disposal Services.) When the contract for operation of the Transfer Station and landfill services begins, operation of the Transfer Station will be removed from the Interim Operations agreement, regardless of the operator selected.

A separate RFP for a long-term contract for operation of the MRF is anticipated to proceed by the end of 2017/early 2018.

For purposes of negotiation with RAA to provide the interim services, the City Administrator and staff shall negotiate an agreement for RAA to perform the services with loose loading of recyclable material, but for a price comparable to the price proposed by WMM for both the MRF and Transfer Station services. In addition, because loose loading at the MRF has not previously been done, and its benefits for recyclable material processed through the City’s MRF have not previously been documented, an agreement negotiated with RAA should include performance measures to document that loose loading is providing the anticipated benefits. If the benefits are not documented, the agreement should allow the City to require RAA to forego loose loading of recyclable material and shift to baling of recyclable material, but at a price that does not exceed the price proposed by WMM for those services. Because operation of a MRF is a service RAA has not previously provided, a contract negotiated with RAA also should include a requirement that RAA provide a surety bond for its performance of the services in the Interim Operations agreement.

To assist with a smooth continuation of the services and transition to the interim operations agreement, negotiations with RAA should be finalized prior to March 31, 2017, and, if successful, with a proposed agreement brought to City Council for review and approval in April 2017. If negotiations with RAA are not successful, a proposed agreement with WMM, based on its proposal, should be brought to City Council for review and approval in April 2017.

Budget/Fiscal Impact

Funding for these services was budgeted in the Solid Waste Operation and Maintenance Budget for FY17 under the pricing in the contract with the prior operator at a monthly cost of approximately \$60,000.00, and an annual cost of \$720,000.00. Since the July 2016 termination of the contract with the prior operator, short-term operating costs have been approximately \$200,000.00 monthly, or \$2,400,000.00 annually. To cover the cost of the remainder of the short-term operations, and the cost of the interim services, it is necessary to appropriate the difference between the amount budgeted for FY17 for the costs and estimated contract costs for both the extended short-term and the interim operations. To cover those additional costs, \$1,680,000.00 needs to be appropriated from the available Solid Waste Fund Balance. Future contract costs will be budgeted in the annual budgeting

process.

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Reviewed by: Craig Hupy, Public Services Area Administrator

Approved by: Howard S. Lazarus, City Administrator

Whereas, Effective July 11, 2016, the City terminated the operating contract for the City-owned Material Recovery Facility/Transfer Station;

Whereas, Recycling processing is a component of the Solid Waste Resource Plan and is a valued service of the community;

Whereas, Solid Waste disposal decisions have a significant impact on sustainability and climate change;

Whereas, The Solid Waste Resource Plan identifies ways for the community to move towards the zero waste goal that was adopted by the City's Environmental Commission in 2007;

Whereas, The guiding principles for Ann Arbor's solid waste program focus on providing services that are cost-efficient, customer-friendly, and environmentally responsible;

Whereas, Funding for these services is available in the Solid Waste Fund Operation and Maintenance Budget and the Fund Reserve;

Whereas, Interim operation services are necessary to continue uninterrupted recycling and solid waste services the citizens of Ann Arbor desire and expect during the process to procure a long-term contractor operator for these key City facilities;

Whereas, Emterra Environmental USA (Emterra), Recycle Ann Arbor (RAA) and Waste Management of Michigan, Inc. (WMM), submitted proposals to provide interim operation services of the City's Transfer Station and the City's Material Recovery Facility;

Whereas, Staff recommended award of a contract to WMM, whose proposal was for services with the baling of recyclable material and did not propose loose loading of recyclable material;

Whereas, RAA proposed as an option loose loading for recyclable material, which was not proposed by either WMM or Emterra; and

Whereas, The Environmental Commission recommends loose loading of recyclable materials as a best practice, and recommends that City Council direct the City Administrator to negotiate a contract with RAA to perform the interim operation services with loose loading of recyclable material and at a price competitive with the other proposals received;

RESOLVED, That City Council directs the City Administrator to negotiate with RAA to reach agreement by March 31, 2017, on the terms of an interim operation services agreement that includes (1) loose loading of recyclable materials at the City's MRF, (2) performance measures to determine the benefits of loose loading, (3) an option to change to baling of recyclable material if loose loading is not shown to be beneficial, (4) with a performance bond, and (5) at a cost that is competitive with the cost of WMM's proposal for interim operation services;

RESOLVED, That if agreement with Recycle Ann Arbor is reached by March 31, 2017, the City Administrator and staff are directed to bring the interim operation services agreement to City Council for its review and approval no later than the second meeting in April 2017;

RESOLVED, That if agreement with Recycle Ann Arbor is not reached by March 31, 2017, the City Administrator and staff are directed to bring an interim operation services agreement with Waste Management of Michigan, Inc. to City Council for its review and approval no later than the second meeting in April 2017, but with an added requirement that it provide an performance bond;

RESOLVED, That \$1,680,000.00 be appropriated from the Solid Waste Fund Balance to amend the FY17 Operations and Maintenance Budget to fund both the ongoing short-term operation services agreement and the interim operation services agreement through June 30, 2017; and

RESOLVED, That the City Administrator be authorized to take any other necessary administrative actions to implement this resolution.

Sponsored by Councilmembers Frenzel, Smith, Ackerman and Warpehoski