



Legislation Text

File #: 17-0540, **Version:** 1

Resolution to Approve Interim Operations Services Agreement with Waste Management of Michigan, Inc., for Ann Arbor Material Recovery Facility (MRF) (Estimated \$1,172,236.10/Year in First Year) Attached for your review and consideration is a resolution to award an Interim Operations Services Agreement to Waste Management of Michigan, Inc. (WMM), to operate the City's Material Recovery Facility beginning July 1, 2017 until June 30, 2018, with the potential of two six-month extensions if desired by the City. This interim operating period will allow staff to evaluate options and determine the approach for locally processing and returning the community's recyclables to market. This resolution is before City Council to consider only if it did not approve the preceding resolution on the agenda, which was to award an Interim Operations Services Agreement to Recycle Ann Arbor.

On March 6, 2017, City Council approved Resolution R-17-070 directing the City Administrator to negotiate with Recycle Ann Arbor (RAA) to reach an agreement on an interim services contract to operate the MRF, and set a March 31, 2017, deadline. Resolution R-17-070 specified that the contact terms include (1) loose loading of recycling 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 in response to City Request for Proposal (RFP) No. 980. The resolution stated that if such an agreement was reached by March 31, 2017, the City Administrator and staff were to bring the interim operations services agreement to City Council for its review and approval no later than the second meeting in April 2017; and, that if an agreement was not reached by March 31, 2017, then an interim operations service agreement with WMM was to be brought to City Council no later than the second meeting in April 2017.

Because the contract negotiated with RAA may be considered inconclusive in terms of whether it meets all five criteria in Resolution R-17-070, two resolutions are presented so City Council can choose to award the contract either to RAA or to WMM. The attached resolution is for the award of the contract to WMM.

Following the approval of Resolution R-17-070, City staff and RAA staff met in several negotiation sessions that concluded on March 31, 2017 with an agreement that is presented to you for consideration. The agreement negotiated with RAA meets the first four requirements stated in the resolution. However, the estimated cost for RAA's services using loose loading is \$99,979.90 higher per year than the estimated cost for Waste Management of Michigan (WMM) using baled loading. If RAA were to change to baled loading, the estimated cost would be \$203,756.31 higher per year than WMM's estimated cost. These figures do not include the additional revenue to the City from WMM if recyclable material revenues per ton exceed the \$132.00/ton processing and hauling fee. Per the WMM contract, the City would get 60% of any per ton revenue above that amount. RAA's contract does not have a similar provision, and its processing and hauling fees are higher (\$1524.76 or \$161.14/ton). The recyclable material revenue figures in the table are \$63.26 or \$66.62/ton, which are reflective of recyclable material revenues in December 2016. In March 2017 those revenues had gone up to \$93.68/ton.

To the extent dollar amounts can be assigned to the environmental benefits RAA asserts will result from loose loading, the \$99,979.90 difference is reduced, but not eliminated, and the reduction does not alter the amount of the City funds needed to pay for the contractual services. Without a significant difference in environmental benefits for baling, and with RAA's GHG impact being slightly higher, the \$203,756.31 cost difference for services from RAA with baling cannot be reduced.

The following table shows the cost differences:

	Recycle Ann Arbor (Loose Load)	WM (Baling)	Recycle Ann Arbor (Baling)
Recycled Tons	1200	1200	1200
Hauling & Processing Recyclables per ton	\$154.76	\$132.00	\$161.14
Recyclable Material Revenue per ton	\$66.62	\$63.26	\$66.62
Net Cost per ton	\$88.14	\$68.74	\$94.52
Hauling & Processing Commercial Recyclables			\$131.14
Commercial Material Revenue per ton			\$75.00
Net Cost per ton			\$56.14
Total Cost for Hauling & Processing Recyclables	\$105,768.00	\$82,488.00	\$107,667.00
Fuel Adjustment		\$8,199.31	
Total Invoice to City	<u>\$105,768.00</u>	<u>\$90,687.31</u>	<u>\$107,667.00</u>
Other City Costs - Baler amortization	\$250.00	\$6,999.03	\$6,999.03
Total Monthly City Cost: Beginning July 1, 2017	<u>\$106,018.00</u>	<u>\$97,686.34</u>	<u>\$114,666.03</u>
Monthly cost difference	<u>\$8,331.66</u>	--	<u>\$16,979.69</u>
Total Cost for July, 2017 - July 2018	<u>\$1,272,216.00</u>	<u>\$1,172,236.10</u>	<u>\$1,375,992.42</u>
Cost difference for July 2017 - July 2018	<u>\$99,979.90</u>	--	<u>\$203,756.31</u>

Below is a table showing the greenhouse gas (GHG) impact, measured as Metric Tons of Carbon Dioxide Equivalent (MTCE) emissions. RAA did not share the data on which it based its MTCE calculations. For example, the figures for baler power and baler wire are RAA's estimates. The City does not count the number of bales leaving the MRF and does not measure how much time it takes, or the power required, to bale a ton of recyclables. However, accepting RAA's estimates and calculations for baling, and if loose loading results in a 1% decrease in residuals and associated emissions benefits, the MTCE reduction for loose loading by RAA versus baled loading by WMM would be 48.89/month.

GHG Emissions Comparison: WMM/Akron (baled) vs. RAA/Cincinnati (loose)

<u>MONTHLY GHG CALCULATION</u>		
<u>Scenario</u>	<u>Factor</u>	<u>MTCE/month</u>
WMM-Akron	192 miles	41.92
Glass transport	153 miles	3.27
Baler Power	12 KWHR/ton	3.99
Baler Wire	3,000 bales	11.44
Total		60.62
Rumpke-Cincinnati	237 miles	51.81
Glass transport	56 miles	1.20
Residue benefit	1% reduction	-41.27
Total		11.73

A reduction in MTCE emissions does not result in a direct cost benefit to the City, or a cost reduction of the contract price; the annual cash flow from the City remains an estimated \$99,979.90 higher than the cash flow for a contract with WMM. Applying recent calculations for the Social Cost of Carbon (SCC) value of the reduced GHG emissions (\$36.00/metric ton), results in a calculated annual benefit of \$21,120.48, assuming anticipated damages due to climate change. If future damage due to climate change is more catastrophic than generally predicted, the calculated SCC estimate is \$105.00/metric ton, or an annual benefit of \$61,601.40. These calculations are based on the USEPA DICE model.

If the City decides that RAA should switch to baling because loose loading does not meet the performance criteria to show it is beneficial, the 1% decrease in residuals from loose loading would be eliminated, and the baler and wire costs would need to be included for both. Also, because RAA would truck the baled loads to Columbus or to Dayton, the MTCE for their trucking mileage changes. Based on the data in the table, the total MTCE/month for WMM would still be 60.62 (including the MTCE for baling), but the total MTCE/month for RAA would change from 11.73 to 56.94 or 57.18 (for Columbus or Dayton) (including the MTCE for baling), or 3.68 or 3.54 MTCE/month less than WMM instead of 48.89 MTCE/month less. Because of the additional cost for RAA to provide baled loading, with minimal environmental benefit, the City can choose not to switch to baling.

Under these circumstances, staff brings both the RAA contract and the WMM contract for City Council to consider, and to decide whether the proposed contract with RAA, satisfies the criteria of R-17-070 so that RAA should be awarded the contract, or whether the contract should instead be awarded to WMM. Again, this resolution is for the award to WMM.

Budget Impact

Funding for operations of the MRF in FY18 is included in the proposed FY 18 Solid Waste Fund Operations and Maintenance budget.

WMM complies with the requirements of the City's nondiscrimination and living wage ordinances.

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Reviewed by: Craig Hupy, Public Services Area Administrator

Approved by: Howard S. Lazarus, City Administrator

Whereas, City Council Resolution R-17-070 directed the City Administrator to negotiate an agreement with Recycle Ann Arbor (RAA) by March 31, 2017 on an interim services contract to operate the City's Material Recovery Facility (MRF) with terms that include (1) loose loading of recycling 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 Waste Management of Michigan Inc.'s proposal in response to City Request for Proposal (RFP) No. 980;

Whereas, The resolution further directed that if such an agreement was reached by March 31, 2017, the City Administrator and staff were to bring the interim operations services agreement to City Council for its review and approval no later than the second meeting in April 2017, and that if an agreement was not reached by March 31, 2017, then an interim operations service agreement with Waste Management of Michigan, Inc (WMM). was to be brought to City Council no later than the second meeting in April 2017;

Whereas, Following the approval of Resolution R-17-070, City staff and RAA staff met in several negotiation sessions that concluded with an agreement on March 31, 2017;

Whereas, City Council has reviewed the terms of the proposed agreement with RAA and determines that it does not comply sufficiently with the terms specified in Resolution R-17-070;

Whereas, The Interim Operation Services Agreement with the selected contractor will become effective on July 1, 2017 and terminate on June 30, 2018 and includes the option for the contract to be extended for up to two additional six-month period or periods of time if desired by the City to provide uninterrupted recycling services to the Ann Arbor community during the transition from the Interim Operations Services Agreement to a new long-term approach for locally processing and returning the community's recyclables to market;

Whereas, City Council wishes to grant the City Administrator authority to extend the Agreement, for up to two six-month periods if needed to provide uninterrupted recycling services to the Ann Arbor community during the transition from the Interim Operations Services Agreement to a new long-term approach for locally processing and returning the community's recyclables to market, subject to the availability of funding;

Whereas, The City of Ann Arbor FY18 proposed Solid Waste Fund Operations and Maintenance budget includes sufficient funds for the services under this contract; and

Whereas, Waste Management of Michigan, Inc., complies with the requirements of the City's Nondiscrimination and Living Wage Ordinances

RESOLVED, That an Interim Operation Services Agreement for the Ann Arbor Material Recovery Facility (MRF) with Waste Management of Michigan, Inc., be approved, including a provision that the Agreement may be extended for up to two additional six-month period or periods of time if desired by the City;

RESOLVED, That the Mayor and City Clerk be authorized and directed to execute said Agreement after approval as to form by the City Attorney and approval as to substance by the City Administrator;

RESOLVED, That City Council authorizes the City Administrator to approve six-month extensions of the Agreement after June 30, 2018, if necessary to provide continued recycling services to the community; and

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