

MEMORANDUM

TO: Donna Barron, City Manager

VIA: Keith Marvin, P.E., Director of Public Services

FROM: Jordan Strickler, Environmental Control Services Manager

DATE: October 11, 2018

SUBJECT: **Consideration of a Contract Award for Recyclable Materials Processing Services to FCC SA, Inc., Dallas, TX; and Authorization for the City Manager to Execute the Contract.**

BACKGROUND

In April 2014, City Council approved the Contract and Exclusive Franchise for the Collection of Residential and Multi-Family Dwellings Recyclables by Waste Management of Texas (WMTX), Inc. beginning in August 2014. This agreement did not include the processing of the recyclable material. At that time, the City and WMTX were in an interim recyclables processing and revenue sharing agreement on a month to month basis as negotiations continued towards a new agreement. The parties did not come to an agreement and the City was allowed, through the franchise agreement, to solicit proposals to choose a recyclable materials processor.

In 2015, Pratt Industries, Inc. was awarded the Recyclable Materials Processing contract to provide the City of Lewisville with processing services through November 1, 2018 with three (3) additional renewals of three (3) year periods. The City received notice that Pratt Industries, Inc. would not renew a year in advance as required by the contract. As the end of their contract period approaches in November 2018, the City went out for proposals in June 2018.

This contract provides recyclable material processing services for all residential customers and to multi-family facilities. The City's collection vendor is required to deliver program recyclable materials collected, via the City program, to the contractor's delivery facility. The City plans to continue to include multi-family dwellings in the City program. The contractor is responsible to provide personnel, insurance, supplies and tools of the trade to perform recyclable material processing on scheduled days and frequencies as specified. The contractor will accept and process all program recyclable materials delivered by or on behalf of the City. At a minimum, program recyclable materials will include the following, which are currently collected via the City program:

1. Fiber Products: Flattened cardboard, magazines, office paper, newspaper, paperboard like paper towel rolls, cereal boxes, phone books, and junk mail; and milk cartons, juice cartons, juice and drink boxes without straws.
2. Plastics: Plastic bottles and containers with #1-#7 resin code (excluding expanded polystyrene).

3. Metal Containers: Food, beverage and soft drink cans made of tin, steel or aluminum; empty aerosol cans; all metal cooking pots, pans and utensils.
4. Glass Containers: If the City elects to include glass, it will include: Food and beverage containers that are clear, brown or green in color.
5. Other: Any other materials proposed by the contractor and agreed to by the City.

According to the terms of the previous contract, the City did not pay anything for recyclable material processing and received a revenue stream from revenue sharing with the processor. During the contract with Pratt Industries, Inc., the City budgeted approximately \$100,000 in revenue. Due to the volatile market of recyclables and the current characterization of the City's recyclable materials stream, City staff realized the possibility of having to pay for processing services. City staff selected a consultant to assist in the procurement of recyclable material processing services. For this selection process, the City used a request for proposals method of bidding for the new contract, as staff wanted to evaluate additional criteria, including financial proposals for processing fees that included glass and excluded glass. The consultant, Burns & McDonnell, worked with City staff to prepare the request for proposal, draft contract, perform the financial analysis, participate and advise City staff during the interview process, and negotiate with the selected vendor upon the direction of the City staff.

The proposed contract is for three (3) years with the option of two (2) renewal periods in three (3) year increments based on satisfactory contract performance evaluation each year.

ANALYSIS

Request for proposals (RFP 18-49-P) was issued on June 15, 2018, to provide residential and multi-family recyclable material processing. On July 19th, the City received two proposals. In addition to the two proposals received, staff heard from two additional firms that chose not to submit a proposal due to capacity issues, and an inability to meet the specifications.

Based on the financial analysis by Burns and McDonnell, the proposals included pricing ranging from an expense of (\$42,347) to a possible revenue stream of \$53,501, depending upon the materials included in the program and based on the City's characterization of the recycling stream. After review of the proposals, both companies were selected to participate in follow-up interviews based on their technical response, and a rating matrix made up of the following criteria:

- Proposed Approach (25 points) – Based upon the proposed approach, facilities abilities to process materials efficiently, and public education abilities.
- Experience (15 points) – Based on relevant processing experience with an emphasis in the Dallas Fort Worth area as well as past performance history.
- Financial Stability (10 points) – Based on past audited statements, bankruptcy history, and ability to provide bonding and insurability.
- Financial Proposal (50 points) – Based on the proposed processing fees, revenue sharing, disposal costs, and public education contributions.

The rating and interview panel consisted of members from the City's Public Services, Purchasing, Budget, and Sustainability departments. After conducting the in-person interviews, the interview

panel then conducted site visits to their Material Recovery Facilities (MRFs). Once complete, the panel revisited the scoring matrix based on additional information that was discovered during the interviews and site visits.

Based upon the selection criteria, the committee unanimously rated FCC SA, Inc. as their highest scoring firm. Based on the financial analysis, the City has the potential to earn revenue from the contract. Additionally, FCC SA, Inc. proposed to cap the costs of recycling material processing at the cost of disposal at the City of Dallas McCombs Landfill, where their MRF is located. This will limit the potential expense for recycling material processing if commodity values continue to decrease. FCC SA, Inc. offered the best value of the selection criteria included in the RFP.

The proposed contract includes a variable processing fee depending on the amount of glass in the recycling stream. As the glass content decreases, the cost of processing decreases as well. This will give the City the option to elect to exclude glass during the contract if desired.

RECOMMENDATION

It is City staff's recommendation that the City Council approve the award and authorize the City Manager to execute the contract as set forth in the caption above.