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Item No. 10.1.4

Halifax Regional Council
October 7, 2008

REVISED

TO: Mayor Kelly and Members of Halifax Regional Council

A handwritten signature in black ink, appearing to read "Dan English".

SUBMITTED BY:

Dan English, Chief Administrative Officer

A handwritten signature in black ink, appearing to read "Wayne Anstey".

Wayne Anstey, Deputy Chief Administrative Officer - Operations

DATE: September 16, 2008

SUBJECT: **Award - RFP No. 08-084 Operation of Materials Recovery Facility**

ORIGIN

March 31, 2009, expiration of RFP No. 98-016, Operation of Materials Recovery Facility 2004-2009 Renewal Term, and the issuance of RFP No. 08-084, Operation of Materials Recovery Facility issued on June 16, 2008.

RECOMMENDATION

It is recommended that Council award RFP No. 08-084, Operation of Materials Recovery Facility (MRF), to the highest scoring proponent Miller Waste Systems, for the operations of the MRF from April 1, 2009 to March 31, 2014, at the per tonne and other pricing as outlined in their response to the RFP, subject to the drafting and signing of an Agreement containing the terms and conditions of the RFP, and as outlined in this report. Funding is from Operating Account number R330 and is as outlined in the Budget Implications section of this report.

BACKGROUND

On December 9, 2003, Regional Council approved a five-year renewal of RFP No. 98-016 to Miller Waste Systems for the operations of the MRF from April 1, 2004 to March 31, 2009, subject to the drafting and signing of Supplementary Agreement # 1, to be appended to the main MRF Operations Agreement between HRM and Miller Waste Systems for the original period 1998 to March 31, 2004. The Supplementary Agreement # 1 was executed in early 2004.

RFP No. 08-084 was advertised commencing June 14, 2008 and issued on June 16, 2008. A mandatory information meeting was held with potential proponents on June 24, 2008. Proponents attending the June 24, 2008 meeting subsequently toured/inspected the MRF, including the operating equipment and processing lines, scale house, tipping floor, offices and meeting rooms, maintenance shop, loading docks, building systems, etc. The RFP closed on July 24, 2008.

The 2008-09 HRM Operating Budget Account, R330 MRF, contains a gross expenditure of \$2,780,000, which includes the current Operating Fee paid to Miller of \$113.98/tonne (for the current 20,001 to 22,000 tonnage band), the cost of transportation of materials to markets in North America and overseas, a portion of the cost of residue and net HST. The 2008-09 Operating Budget, R330, includes projected revenue of \$1,575,000 from the sale of recyclables and from deposit beverage containers. As contained on page Q21 of the 2008-09 Proposed Business Plan and Budget, the net cost of operations of the MRF for 2008-09 is budgeted as \$1,205,000 (a net cost of approximately \$55/tonne, subject to fluctuations on commodities market for sale of recyclable materials).

DISCUSSION

The processing and marketing of recyclable materials by the HRM is conducted at the MRF located at 20 Horseshoe Drive, Bayers Lake Business Park, Halifax. The MRF is approximately 40,000 square feet and is comprised of a commingled containers/blue bag sorting line, with associated bunkers, a commingled fibres (paper and cardboard) sorting line with associated bunkers, and a central baler with two feed conveyors.

1.0 RFP - Scope of Work Operation of MRF - Base Services:

The operations of the MRF includes, but is not limited to, the following:

- maintaining operational records and daily receipt and data management (weighing and recording) deliveries from eight (8) residential and three (3) condominium HRM collection contracts, and from commercial deliveries, received at the MRF;
- the processing of 17,851.55 tonnes of residential recyclables and 3,465.3 tonnes of ICI recyclables (2007/08);
- preparation (manually and mechanically processing) of seventeen (17) different types of recyclables for markets, including sorting, managing and tracking deposit bearing containers for the RRFB;

- provision and management of sufficient number of skilled and trained staff to operate the MRF so as to maximize the quantity and quality of marketable materials recovered from recyclable materials delivered to the facility (proponent is required to commit to the staffing complement in the RFP contract);
- securing markets, controlling inventory, and arranging transportation of materials to markets (i.e. buyers) in Canada, the USA and overseas (Attachment # 1 details the tonnage of materials marketed in 2006/07);
- transporting residue to the Otter Lake disposal facility;
- maintenance, repair and general upkeep of all processing equipment and machinery, including weigh scales and data management systems;
- payment of revenue to the HRM from the sale of recyclables, 75% to the HRM-net of transportation costs, and 50% of deposits from redeemable beverage containers;
- general maintenance of the grounds and the building, facilitating tours by the public, and providing access to the Household Hazardous Waste depot on Saturdays - year round;
- audits of materials by type (i.e. in the commingled containers stream), by residential collection area - to measure level of public knowledge and participation of HRM residents, for the purpose of improving HRM's recycling communication and education program, and the curbside collection and stickering program; and
- audits of HDPE # 2 milk containers - as per the terms of the agreement with the NS Fluid Milk Producers Association, HRM receives approximately \$190,000 annually for the gross costs of collection, processing and marketing, i.e. recycling of milk containers.

All for the purpose of maximizing the recovery and revenue from recyclable materials received and minimizing residue disposed. Proponents were requested to address all of the above operational requirements in their response to RFP No. 08-084.

2.0 RFP - Scope of Work - Potential Improvements to the Recycling Program and the MRF:

Proponents were required to submit their approach to improving facility efficiency and capacity, including operating and capital processing improvements, configuration modifications and processing adjustments (e.g. additional equipment or sorters, etc.) for existing and potentially new materials, and contingency capacity for greater annual tonnage, which may be required over the term of the RFP.

Proponents were required to provide a processing and marketing plan for the current list of recyclable materials and also for option(s) of adding the following potential new materials:

- # 3 polyvinyl chloride (PVC) and # 5 polypropylene (PP) plastic containers; and/or
- # 6 polystyrene (PS) and # 7 other plastic containers; and
- box board (e.g. cereal, cracker, shoe and shirt boxes, which have been included in the organics green cart program since 1998).

The current annual capacity of the MRF is 28,000 tonnes. Current annual throughput is between 21,000 and 22,000 tonnes. As part of planning for the next five years and beyond, the RFP identified a potential need for up to an additional 8,000 tonnes/year of contingency capacity. Proponents were required to identify any capital (equipment/machinery) and process change modifications and improvements which would enable the processing of up to an additional 8,000 tonnes a year of recyclables.

Recognizing that the MRF is seventeen years old, HRM staff completed a Facility Assessment for the MRF. The RFP identified components of the MRF that require upgrading, replacement and/or repairs including:

- | | |
|-------------------------------|---|
| • sprinkler system | • roof, including ventilation/fans |
| • exterior window frames | • office and hallway carpet |
| • metal trim at loading docks | • repair/replacement of steel incline conveyor |
| • repair of baler infeed belt | • repairs to pavement at scale house ramp and along ditch on Horseshoe Lake Dr. |

Proponents responding to the RFP were to review the above list and indicate if they are in agreement with the items, to assess the Facility, and identify other potential deficiencies, if any. HRM is not committed to proceeding with said repairs but rather, after the award of the RFP to the successful proponent, staff will finalize the agreed upon repairs and will identify same in the 2009/10 Business Plan and Budget (Account # R330, MRF), for consideration of approval by Regional Council. A similar approach was successfully included in the award of RFP No. 98-016 for some \$28,500 in repairs to loading doors, lighting, conveyor belts and baler, completed in 1999.

Two Stage Proposal Process:

A two-stage proposal process was requested from proponents. Proponents submitted a Technical and Operational Proposal (Stage 1, Envelope 1) and a Cost Proposal (Stage 2, Envelope 2) at the same time, with both addressing all of the elements of the RFP.

Staff applied the two-stage (two envelopes) evaluation process as detailed in the RFP. The Technical and Operational Proposal (Envelope 1) was scored out of a maximum of 280 points (70%), and the Cost Proposal (Envelope 2) was scored out of a maximum of 120 points (30%), for a total maximum of 400 points (100%). A Senior Procurement Consultant was a non-scoring member of the evaluation team for this RFP. The evaluation team consisted of four Solid Waste Resources staff who have extensive contract administration and operations experience with the MRF.

The results from Envelope 1, Stage 1, were tabulated and provided to the Senior Procurement Consultant prior to the opening of Envelope 2, Cost Proposal in Stage 2. One potential proponent failed to provide the required evidence of ability to obtain contract surety. The company's failure to provide the required documentation related to contract surety resulted in the proposal being deemed non-compliant. The company has been notified of non-acceptance of their proposal by Procurement Services.

In Stage 2, Envelope 2, the Cost Proposal of the three proponents responding to the RFP was opened by the Senior Procurement Consultant. An evaluation of the Cost Proposal for the three companies was completed with the score of 120 assigned to the low price proponent, and the score of higher price proponents reduced in proportion to the amount that their price was greater than that of the low price proponent.

The method and items included in the price evaluation are defined in the RFP and include:

- the price of the base (i.e. current) services, calculated based upon the average per tonne fees over five years;
- the incremental operating and capital cost of the facility improvements and optional services, including additional plastics, box board; and
- the potential contingency capacity need of 8,000 tonnes, if required during the five year term of the RFP.

RFP Responses:

Proposals were received from the following firms:

- Miller Waste Systems
- Waste Management
- Enviro Waste Ltd.

(The proposal received from Scotia Recycling Limited was deemed non-compliant as the proponent failed to provide the required documentation related to contract surety.)

Proposal Scoring:

The results of the evaluation of Envelope 1, Technical and Operational Proposal, and Envelope 2, Cost Proposal, are provided in the following table with the highest scoring and recommended proponent noted.

Table 1 - Summary of Evaluation Criteria Scoring

Proponent	Envelope 1 (Technical and Operational Proposal (Maximum 280, 70%))	Envelope 2 (Cost Proposal (Maximum 120, 30%))	Total Score (Maximum 400, 100%)
Miller Waste Systems*	232.9	107.5	340.4*
Waste Management	213.4	120	333.4
Enviro Waste Ltd.	148.6	74.2	222.8

*Recommended Proponent

Attachment # 2 is the completed evaluation criteria score sheet (maximum 400 points) for the three proponents.

The following table highlights the responses of the two highest scoring proponents to some of the key elements of the RFP as contained in their Technical and Operational Proposals.

Table 2 - Technical and Operational Proposals Comparison

Proposal Element/Category	Miller Waste Systems	Waste Management
Configuration & Capacity	<p>ACapital improvements to blue bag line including increased sorting stations, conveyors, material handling equipment for improved recyclables recovery and to accommodate additional plastics.</p> <p>ACapital improvements to fibre sort line and additional storage building proposed for contingency capacity of 8,000 tonnes/year.</p>	<p>A"Lean Manufacturing" focus, relocation of existing metals magnet on blue bag line.</p> <p>ANo capital proposed at this time, may use additional shifts or split shifts for contingency capacity of 8,000 tonnes/year.</p>
Staffing & Personnel	<p>Base 35</p> <p>Peak 39</p>	<p>Base 19</p> <p>Peak 27</p>
Weighing, Processing, Operations & Residue	<p>Details of operating systems, procedures and data management systems</p>	<p>Outline of operating philosophy, procedures and data management systems</p>

Attachment # 3 - Table of Cost Comparison provides the completed table showing the total price for the purposes of Cost Proposal Evaluation in the RFP for the three proponents. For cost evaluation purposes, as specified in the RFP, all costs submitted by proponents for the operations of the MRF, including the optional potential additional materials, capital improvements and an additional 8,000 tonne/year processing capacity are included in the scoring of the Cost Proposal. If the 8,000 tonne/year contingency capacity is not required during the five year operating term, no capital or operating costs associated with this element of the proposal, as applicable, will be incurred.

BUDGET IMPLICATIONS

As the new contract term commences on April 1, 2009, there are no financial implications for FY 2008/09.

As detailed in the RFP, the proposal includes prices per tonne for current services (see table below) and potential optional and additional services (e.g. new materials, additional 8,000 tonnes/year contingency capacity). A base price for the current service level operations of the MRF will be

included in the 2009/10 Proposed Operating Budget, Account # R330, MRF. Potential new materials will be fully evaluated (based upon incremental operating costs, reduced residue rates and marketability) and will be identified and submitted in the 2009/10 Proposed TPW - Solid Waste Resources Budget and Business Plan.

Annual Tonnage Band Delivered to the MRF	Miller Price Per Tonne (Year 1)
Less Than or Equal to 18,000 tonnes	\$109.33
18,001 to 20,000 tonnes	\$105.23
20,001 to 22,000 tonnes (current tonnage band)	\$101.54
22,001 to 24,000 tonnes	\$98.51
24,001 to 26,000 tonnes	\$95.99
26,001 to 28,000 tonnes	\$93.85

Annual increase is 3% in relation to the previous year of the contract.

Subject to Regional Council awarding RFP No. 08-084 to the recommended bidder, the budget implication for 2009/10 is a potential (gross) **cost reduction of approximately \$326,273**, based upon projected tonnage and residue costs, or approximately a 12% reduction, for the current base elements of the MRF Operations contract.

The addition of #3, #5, #6 and #7 plastic to the current base MRF Operations contract (subject to approval by Regional Council in the 2009/10 Operating Budget and Business Plan) yields a potential gross **cost reduction of approximately \$253,216**, based upon projected tonnage and residue costs. Including box board in the recycling program, in addition to the noted new plastics, requires further analysis to determine the predicted implications for operating costs, including residue rates, market prices, etc.

The recycling of additional plastics will benefit the HRM in reduced costs of residue from the MRF, enhancing HRM's diversion rate and resultant RRFB diversion credit funding, and potentially will yield an increase in revenue from the sale of additional plastics - subject to fluctuations in the commodities markets.

Budget Summary: R330 - Materials Recovery Facility

Fiscal Year	R330-6301 Operating Budget 08/09*	Projected Operating Fee (Base - Current Services)**	Balance
2009/2010	\$2,780,000	\$2,453,727	\$326,273
2010/2011	\$2,780,000	\$2,559,961	\$220,039
2011/2012	\$2,780,000	\$2,704,238	\$75,762
2012/2013	\$2,780,000	\$2,792,408	-\$12,408
2013/2014	\$2,780,000	\$2,959,674	-\$179,674

*Assuming the 08/09 operating budget for R330 will be carried forward, there are sufficient funds for RFP No. 08-084 until the end of 2011/12. Beginning in 2012/13, the budget is projected to increase.

**Based on a 3% annual increase in operating fees, current service levels, projected annual tonnage growth between 2.5 and 3%, and residue costs (including net HST).

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

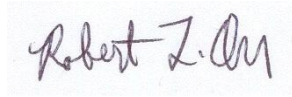
There are no recommended alternatives.

The issuance of the RFP achieved the intended outcome, the preferred company to operate the MRF for the next five years.

ATTACHMENTS

1. Recyclable Materials Marketed in 2006/07;
2. Completed Evaluation Criteria score sheet for the three proponents;
3. Table of Cost Comparison-Cost Proposal Evaluation for the three proponents.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.



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Attachment # 1

**Recyclable Materials Marketed
from Halifax Regional Municipality MRF
2006/2007**

No.	Item	Tonnage Marketed HRM MRF	Explanatory Notes
1.	Plastic film (including plastic bags)	394.1	
2.	Tetra beverage containers	4.41	RRFB Beverage containers
3.	Other	0.12	RRFB Liquor Other
4.	Milk carton polycoat (gabletop) containers	322.5	
5.	Polycoat (gabletop) beverage containers delivered to RRFB	25.92	
6.	Non-beverage HDPE #2 tubs & lids	17.5	
7.	Mixed plastic beverage containers delivered to RRFB	4.53	
8.	Non-beverage HDPE plastic (#2) containers	440.1	
9.	HDPE plastic (#2) beverage containers delivered to RRFB	6.73	
10.	Non-beverage PET plastic (#1)	38.2	
11.	PET plastic (#1) beverage containers delivered to RRFB	67.09	
12.	Non-beverage aluminum	34.3	
13.	Aluminum beverage containers delivered to RRFB	21.26	
14.	Non-beverage steel/tin containers	794.8	
15.	Non-beverage glass containers	374	
16.	Glass beverage containers delivered to RRFB	102.07	
17.	Cardboard	4091.6	
18.	Newsprint	12288.0	

RFP No. 08-084
Operation of Materials Recovery Facility
Proposal Evaluation Criteria

Proposals will be evaluated according to the following evaluation criteria with the relative weight indicated in each category:

Evaluation Criteria	Relative Weight	Miller Waste	Waste Management	EnviroWaste
Technical/Operational Proposal (Envelope 1)				
General & Corporate (firm/organization, contacts, cover letter, structure, history, project structure, etc.)	10	9.13	9.25	8.25
Financial Capability (bid bond/deposit, insurance letter, ability to obtain Contract Surety, bank/financial institution, financial reference, example projects, other commitments, demonstrated financial capability, willingness, etc.) Note - bid bond/ deposit, insurance letter & ability to obtain Contract Surety - Pass/Fail	20	19.00 Pass	18.25 Pass	13.75 Pass
Qualifications/Credentials (management, technical, operational, ability, staff, personnel, capability, stability, resources, successful & reliable experience, etc.)	10	8.00	9.00	5.50
Staff Credentials & Resumes (management, technical, operational resources, team, roles, individual(s) extent of involvement, background, experience, previous work, credentials, etc.)	15	12.63	11.38	8.38
Operational Experience & Reference Projects (relevant projects & facilities, three reference projects, similarity, scope of work, etc.)	25	20.00	19.13	10.75
Configuration & Capacity (approach to sorting, managing materials, productivity, capacity strategies, improvements, processing methods, materials management, layout schematic, additional plastics implications, methods to capture & market plastics, schedule, boxboard implications, methods to capture & market boxboard, methods to process contingency capacity, capital items, schedule, etc.)	60	49.00	42.50	23.88
Staffing & Personnel (number of staff, role & function, training, human resource programs, transitional issues, etc.)	40	33.88	30.13	25.00
Facility, Maintenance & Equipment (assessment of maintenance/upgrade issues, other apparent issues, maintenance background/experience, proponent equipment, etc.)	20	16.25	15.00	11.50
Weighing, Processing, Operations & Residue (weighing/data management, interface, scale system, business equipment, systems, processes, management practices, operations monitoring and control, tipping floor, monitoring facility activities, system components & processes, managing post-processed materials, productivity/efficiency, residue reduction, communications, etc.)	30	24.13	20.00	17.25
Material Marketing & Revenue (marketing plan, experience, access, approach, marketing staff, quality management system/program)	40	32.75	31.25	18.63
Records, Audits, Plans & Manual (scale & operations data, material audits, outlines for management & contingency plans, O&M manual, etc.)	10	8.13	7.50	5.75
Subtotal	280 (70%)	232.9	213.4	148.6
Cost Proposal (Envelope 2)				
All Costs included in the components of pricing (Section 9.0 Form of Proposals)	120	107.5	120.0	74.2
Subtotal	120 (30%)			
TOTAL	400	340.4	333.4	222.8

Table of Cost Comparison - Cost Proposal Evaluation

Average Operating Fee (Base - Current Services)	Miller Waste	Waste Management	Enviro Waste
Year 1	\$2,216,513.33	\$2,155,000.00	\$2,723,870.00
Year 2	\$2,283,008.73	\$2,219,650.00	\$2,808,586.10
Year 3	\$2,351,499.00	\$2,286,239.50	\$2,889,753.68
Year 4	\$2,422,043.97	\$2,354,826.69	\$2,976,446.29
Year 5	\$2,494,705.28	\$2,425,471.49	\$3,065,739.68
Annual Increase	3%	3%	3%
Additional Plastics			
Capital	\$466,444.92	\$0.00	\$116,700.00
Operating (5 years)	\$799,545.06	\$1,031,861.25	\$1,523,616.84
Box Board (Operating & Capital (5 years))	\$587,362.34	\$0.00	\$340,809.03
8,000 Tonne/year Contingency Additional Capacity			
Capital	\$221,375.00	\$0.00	\$933,000.00
Operating	\$80,419.96	\$0.00	\$2,795,252.79
Total	\$13,922,917.59	\$12,473,048.93	\$20,173,774.41
Score (Max 120)	107.5	120.0	74.2

Note: See Attachment # 2 and Attachment # 3 - Staff's application of the evaluation criteria, as specified in the two stage process identified in the RFP, resulted in an overall difference of 7 points (or 2.1%) out of a maximum total score of 400 points between the recommended proponent and the next closest proponent. The recommended proponent is the unanimous choice of the evaluation team.