



PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

## Item No. 8.1

Halifax Regional Council  
October 28, 2008

**TO:** Mayor Kelly and Members of Halifax Regional Council

A handwritten signature in cursive script, appearing to read "Dan English".

**SUBMITTED BY:**

---

Dan English, Chief Administrative Officer

A handwritten signature in cursive script, appearing to read "Wayne Anstey".

---

Wayne Anstey, Deputy Chief Administrative Officer - Operations

**DATE:** October 17, 2008

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

### SUPPLEMENTARY REPORT

#### ORIGIN

At the October 7, 2008 meeting of Regional Council, a motion to award RFP No. 08-084 Operation of Materials Recovery Facility to Waste Management, was deferred pending a supplementary report. This report provides the additional information requested by Regional Council pertaining to the application of the evaluation criteria, and potential resultant costs for the two highest scored proposals received for RFP No. 08-084 Operation of Materials Recovery Facility (MRF).

#### RECOMMENDATION

It is recommended that Council award RFP No. 08-084, Operation of Materials Recovery Facility, 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 rate 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, as outlined in the attached staff report dated September 16, 2008. Funding is from Operating Account number R330 and is outlined in the Budget Implications section of the attached staff report dated September 16, 2008.

## **BACKGROUND**

### **A) Application of the RFP Process**

The award of RFP No. 08-084 Operation of Materials Recovery Facility, is governed by the terms and conditions as contained in the RFP No. 08-084 document, specifically including the application of the evaluation criteria, which was identified and made known to all potential proponents. Staff's application of the evaluation criteria for RFP No. 08-084 conforms with HRM's Procurement policy and is consistent with HRM's standard business practise.

The utilization of an RFP approach, including the evaluation criteria applied for this RFP, is designed to identify the preferred proponent to be awarded the contract. Each proponent is scored based upon the information they each provide in their response to the RFP, plus staff's verification of references provided. It is inconsistent with and contrary to the HRM Procurement policy for staff to rely upon (again except for reference verification), for evaluation purposes, any information not contained in the proposal received from each proponent. The resultant scoring from the evaluation criteria process reflects the level of effort from each proponent as contained in their proposal, and each proponent's stated commitment to the contract, again as detailed in each proponent's proposal.

The two stage evaluation process, with Stage 1, Envelope 1- Technical and Operational Proposal, valued at a maximum of 280 points (70%), and Stage 2, Envelope 2 - Cost Proposal, maximum value of 120 points (30%), reflects the requirement for a high service level standard for the operations of the MRF, and marketing of recyclables for the purpose of:

- maximizing the recovery of recyclables and revenue from the sale of same;
- minimizing residue from the MRF; thereby
- maximizing diversion credits from the Resource Recovery Fund (valued at \$22/tonne);
- extending the life of each \$21 million landfill cell;
- supporting the continuation of recycling by HRM residents;
- reducing HRM's environmental footprint;
- preserving natural resources; and to
- support Solid Waste Resources' annual multi-media and multi-faceted Communication and Education Campaign.

Achievement of the foregoing is consistent with and supports the 60% waste diversion goal established by Regional Council in 1996. For the first five months of this fiscal year, a 60% diversion rate has been achieved, a first for the HRM.

### **B) RFP 08-084 Cost Proposal- Miller and Waste Management- Clarification**

At the October 7, 2008 Regional Council meeting, Councillor Walker expressed concern with the \$1.5 million price differential between Miller Waste and Waste Management for the five year contract. To bring clarity to the issue of cost, as shown below, the cost differential between Miller and Waste Management for the base/current services for the operation of the MRF for the five years is \$326,582.63 or \$65,316.53 annually, or 2.85%.

	<b>Miller Waste</b>	<b>Waste Management</b>	<b>Cost Differential</b>
5 Year Price Current/base operation	\$11,767,770.31*	\$11,441,187.68	\$326,582.63 ** \$65,316.53 annually (2.85%)

*\*Years 1, 2 & 3 of the contract are less than current fiscal*

*\*\*See analysis of offsetting potential revenue losses on page 7 of this report*

The remaining \$1,123,286 cost differential between Miller and Waste Management are for services that may never be required. Should, in the future, staff determine that any or all of the additional services are required, a recommendation will be brought before Regional Council.

The HRM is the only municipality in Nova Scotia that does not include numbers 3, 5, 6 and 7 plastics in the Blue Bag Recycling Program. For years, many HRM residents have enquired when the other plastics will be added to the recycling program. In the interest of taxpayers dollars, the approach staff utilized is to have proponents identify through the competitive RFP process, the cost of including additional plastics (and other optional services, if ever required in the future).

Numbers 3, 5, 6 and 7 plastics are generally found in grocery stores or are used for food take out at restaurants. They include margarine, yogurt, fruit, pasta, pudding, applesauce, sandwiches, hot meals, mustard, honey, ketchup containers, etc. Since the late 1990's, numbers 1, 2 and 4 plastics (i.e. pop and water bottles; ice cream containers; plastic film clear, blue, grocery, retail store, bread, frozen food, dry cleaning bags respectively) have been included in the HRM recycling program.

Attachment # 1 is a revision of # 3 "Table of Cost Comparison - Cost Proposal Evaluation" which was attached to the September 16, 2008 staff report. It provides a detailed account of the cost proposal from the three bidders, for the base/current services and the three optional (i.e. additional plastics, box board and an additional 8,000 tonne/year contingency capacity) services which were all included and totalled for scoring purposes and for the award of the RFP.

## **DISCUSSION**

**Two Stage Proposal Evaluation Process:** A two stage evaluation process was administered, resulting in Miller Waste Systems and Waste Management receiving the highest and second highest points respectively, out of a maximum score of 400 points.

### **A) Stage 1 - Envelope 1 - Technical/Operational Proposal**

Attachment # 2, Proposal Evaluation Criteria, of the attached staff report dated September 16, 2008, details the information required from proponents for each of the eleven (11) subcategories of Stage 1 - Technical & Operational Proposal. Of the eleven (11) subcategories, excluding Financial Capability, which is addressed later in this report, the total difference between Miller Waste Systems and Waste Management is 18.76 points. The point difference between seven of the subcategories consisting of:

General & Corporate, Qualifications/Credentials, Staff Credentials & Resumes, Operational Experience & Reference Projects, Facility Maintenance & Equipment, Material Marketing & Revenue, and Records Audits Plans & Manual;

is 4.38 points, for an average difference of .625 points per subcategory - a very small individual and total difference.

The difference for the remaining other three subcategories (again excluding Financial Capability) being:

Configuration & Capacity, Staffing & Personnel, Weighing, Processing, and Operations & Residue is 14.375 points. The staff report dated September 16, 2008, in Table 2 of page 6, briefly highlighted the difference in the proposal from Miller Waste Systems and Waste Management, for the three noted subcategories.

The following additional information is provided with respect to the three subcategories:

<b>Subcategories</b>	<b>Miller Waste Systems</b>	<b>Waste Management</b>	<b>Points Difference</b>
<b>1.0 Configuration &amp; Capacity (max 60 pts):</b>	<b>49 pts</b>	<b>42.50 pts</b>	<b>6.5 pts</b>
<b>1.1 For Current/Existing Materials:</b>	Major expansion of 17 year old container sorting line (separate from and not related to additional plastics or box board) consisting of an elevated sorting platform (8 to 10 additional sorters), new incline conveyor, new film plastic baler (for blue bags, grocery bags and plastic film wrap), transfer conveyors, materials handling containers, glass disk screen, all costs are included in the five year Miller per tonne price.	No expansion plan. Relocation of existing magnet further down container sort line. "Lean" manufacturing approach, "Just in Time" tip floor management of recyclables. "Kaizen events" and "Kan Ban Pull" approach for materials management and processing.	
<b>1.2 Optional Services Related to:</b> <i>Additional Plastics:</i> (Two Scenarios)	Two sorters for 2 new plastics; 4 sorters for 4 new plastics	One sorter for 2 new plastics; up to 4 sorters for 4 new plastics, minor change to process line	
<i>Box Board:</i>	Two additional sorters, additional waste compactor, and transfer conveyor	N/A - status quo	
<i>8,000 tonne/year Additional Capacity:</i>	Modification to fibre line, 4 sorters, additional storage building	No capital improvements, may use additional or split shifts for extra processing capacity	

<b>2.0 Staffing &amp; Personnel (max 40 pts.):</b> (For existing materials, i.e. not related to new materials. Current staffing level is 28 to 33)	<b>33.88 pts</b> Additional sorters on expanded container line, staffing base 35 and peak 39	<b>30.13 pts</b> Base 19, and peak 27	<b>3.75 pts</b>
<i>Note: The contract will require, i.e. commit, the proponent to base and peak staffing levels.</i>			
<b>3.0 Weighing, Processing, Operations &amp; Residue (max 30 pts):</b>	<b>24.13 pts</b> Complete details of procedures, data management and operating systems, documentation of recyclables received from 8 residential, and 3 condo zones, plus from the ICI streams	<b>20.00 pts</b> Less specific detail, rather general outline of procedures, operating philosophy and data management systems	<b>4.13 pts</b>

**4.0 Financial Capability (max 20 pts):**

The subcategory “Financial Capability” includes two components:

a) Bid Bond and Contract Surety - Pass/Fail:

- Submission of bid bond/deposit and Contract Surety including insurance letter, and ability to obtain contract surety (letters or confirmation from Bank and Surety Company). Both Miller and Waste Management passed the Bid Bond and Contract Surety requirements.

b) Financial References:

- Three examples of similar projects completed in the past five to seven years, financial commitment to other projects, proponent’s willingness to commit their financial resources to the project (if required), and any other financial information the proponent believes is useful for evaluation of the proponents financial capability.

Miller was scored 19 points and Waste Management 18.25 points out of 20 total maximum points for Financial Capability. Miller’s financial references and stated commitment were slightly superior to that of Waste Managements, a difference of .75 points.

**B) Stage 2 - Envelope 2 - Cost Proposal**

Attachment # 3, Table of Cost Comparison - Cost Proposal Evaluation of the staff report dated September 16, 2008 (Attachment # 2), provides a detailed account of the three cost categories, all of which are included and totalled for scoring purposes and for the award of the RFP.

The three cost categories are:

- i) Average Operating Fee (Base/Current Services), i.e. no change in materials recycled;
- ii) Option of Additional Plastics and Box Board;
- iii) Option of Additional 8,000 tonne/year contingency capacity.

**i) Average Operating Fee (Base/Current Services)**

The first category is the receipt, processing and marketing of the current list of recyclables included in the HRM Recycling program. For clarity of Council members, unfortunately, Attachment # 3 did not provide the total cost of the Average Operating Fee (Base/Current Services) for the receipt and processing and marketing of the existing/current recyclable materials over five years.

As noted previously, Attachment # 1 is a revised Table which provides a total of the Base/Current Services. For Miller, the cost of operating the MRF for the five year period commencing April 1, 2009 (with the same current recyclables), is \$11,767,770.31, compared to a cost of \$11,441,187.68 for Waste Management. Over the five-year term of the contract, the base cost differential between Miller and Waste Management is \$326,582.63 (\$65,316.53/year) or 2.85%.

The staff report dated September 16, 2008, page 7, notes that the award of RFP No. 08-084 to the recommended bidder, has a potential cost reduction of \$326,273 (12% reduction) for the current/base operations of the MRF in fiscal year 2009/10.

**ii) Option of Additional Plastics and Box Board (Optional - subject to staff's analysis and Regional Council approval in 2009-10 Budget and Business Plan)**

For additional plastics, Miller identified \$446,444.92 in capital improvements and \$799,545.06 in operating costs over five years. Waste Management identified \$0 for capital, and \$1,031,861.25 in operating costs. Miller's price for capital and operating for additional plastics over five years is \$234,128.07 higher than that of Waste Management.

As the staff report of September 16, 2008 notes on page 7, subject to approval by Regional Council in the 2009/10 Operating Budget and Business Plan, the addition of numbers 3, 5, 6 and 7 plastics by the recommended proponent, would be \$253,216 less than the current fiscal year.

For box board, Miller identified \$587,362.34 in operating costs while Waste Management did not identify any costs. Neither proponent had a specific market for box board, but rather would mix the box board as a contaminant in with paper or corrugated cardboard for market. Staff will have to closely analyse this option as to feasibility.

**iii) Option of 8,000 tonne/year Contingency Capacity (Optional - subject to staff's analysis and Regional Council approval in 2009-10 Budget and Business Plan)**

This option was included in the RFP in case tonnage increases dramatically over the next five years. Current annual tonnage is just over 21,000 tonnes. Based on historic tonnage trends, the projected tonnage throughput at the MRF in year five of this contract period would be 24,959 tonnes. The contingency capacity of 8,000 tonnes is needed only if MRF tonnage reaches 28,000 tonnes annually.

Although Miller identified a total of \$301,794.96 in capital and operating costs, while Waste Management did not identify any cost, both proponents indicated that, based upon the current annual tonnage and historical annual growth, an additional 8,000 tonne/year processing capacity will not be required during the five year term of the contract (as per staffs analysis).

**C) Transitional Issues**

Although the transition of the operations of the MRF to a new service provider will require staff's attention and oversight, they are manageable and will be completed if required. Transition issues are not included in the evaluation criteria scoring matrix, as to do so would give the incumbent an advantage over other proponents.

Although staffing of the MRF is solely the responsibility of the successful proponent, the proposal from Waste Management for a staffing level of 19 base and 27 peak is approximately 30% less than current staffing level. Details of staffing assignment (i.e. Waste Management staff, or retention of some of the current staff in the MRF) would have to be determined.

**D) Risk Analysis**

**Operations of MRF - Staffing, Residue and Revenue**

From a risk management perspective, i.e. the achievement of an effective and efficient operations of the MRF that maximizes the recovery and marketing of recyclables and minimizes residue, the proposal from Miller Waste has very low risk for the HRM. Miller is proposing a major expansion of the 17 year old blue bag container line (independent of additional plastics or box board), and will increase the staffing level from the current 28 base and 33 peak, to 35 base and 39 peak, at a potential gross cost in 2009/10 of \$326,273 less than the current fiscal year.

Waste Management did not identify any expansion of the facility or equipment. Waste Management identified a staffing level of 19 base and 27 peak, a reduction of approximately 30% from the current staffing level. Staff has concerns that the MRF cannot be operated effectively with aged equipment and a major reduction in staffing for the next five years, with the yearly increase in tonnage of recyclables received and processed.

The 08-09 Operating budget projects the HRM to receive \$1,575,000 from the marketing, i.e. sale of recyclables, and from deposit bearing beverage containers. Over the past four years, the residue rate of materials from the MRF disposed at the Otter Lake facility is 14%. The potential impact for the HRM of approximately 30% reduction in staff, and no expansion of the blue bag container line, is an increase in residue from the MRF disposed at Otter Lake and less materials (i.e. tonnes) going to markets, resulting in less revenue for the HRM. Increased residue and a reduction in materials marketed has the potential to offset some, if not all, of the \$65,316.53 annual price differential between Miller and Waste Management, for the base/current operations of the MRF.

From an overall perspective of operational risk for the HRM, as measured through the

application of the evaluation criteria, the proposal from Miller is superior to that of Waste Management. Staff's assessment concluded that a cost difference of 2.85% between Miller and Waste Management, for the continued base/current operations of the MRF over the next five fiscal years, is the best approach and is therefore recommended to Regional Council, given the capital improvements and greater staffing levels.

### **BUDGET IMPLICATIONS**

The same budget implications as detailed in the September 16, 2008 staff report apply.

For further clarity for members of Council, the optional services (i.e. the addition of other plastic, box board and/or the 8,000 tonne/year contingency additional capacity) will be analysed by staff and, subject to staff's conclusion, would be identified in the 2009/10 Business Plan and Proposed Operating Budget.

### **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**

One alternative is for the RFP No. 08-084 be awarded to Waste Management, the second highest scored company.

This alternative is not recommended for the noted reasons relating to the operations of the MRF, and the application of the HRM Procurement process, as was clearly defined in the RFP.

Although Regional Council has the authority to award the RFP to a proponent that did not receive the highest score, this is not recommended as it undermines HRM's procurement policy and sends the wrong message to industry. HRM may be subject to litigation if the RFP is awarded to a company other than the highest scored proponent.

However, if Council is inclined to award the RFP to Waste Management, the contract should reflect that the risk and cost of any capital improvements to processing equipment in the MRF, and any staffing issues during the five year term, is the responsibility of Waste Management and not the HRM. The HRM may suffer reduced revenue with fewer tonnes of recyclables marketed, and more residue and higher operating costs at the Otter Lake facility.

### **ATTACHMENTS**

1. Revised "Table of Cost Comparison- Cost proposal Evaluation"



2. Staff report dated September 16, 2008, "Award - RFP No.08- 084 Operation of Materials Recovery Facility

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

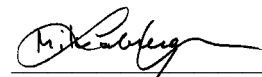
Report Prepared by:

\_\_\_\_\_  
Jim Bauld, Manager , Solid Waste Resources 49-6606

Report Approved by:

*M. E. Donovan*  
  
\_\_\_\_\_  
Mary Ellen Donovan, Director, Legal Services ,490-

Procurement Approval by:

  
\_\_\_\_\_  
Anne Feist, Operations Manager, Financial Services, 490-4200

Report Approved by:

\_\_\_\_\_  
Mike Labrecque, P.Eng, Director Transportation and Public Works

Attachment # 1

(Revised)

**Table of Cost Comparison - Cost Proposal Evaluation**

<b>Current MRF Contract Operations: Average Operating Fee (Base/Current Services)</b>	<b>Miller Waste</b>	<b>Waste Management</b>	<b>Enviro Waste</b>
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
<b>Total</b>	<b>\$11,767,770.31</b>	<b>\$11,441,187.68</b>	<b>\$14,464,395.75</b>
<i>Note: Each proponent identified an annual increase of 3%</i>			

<b>Potential Additions to the MRF Contract - future FY's- subject to approval by Regional Council:</b>			
Additional Plastics: Capital	\$466,444.92	\$0.00	\$116,700.00
Additional Plastics: 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
<b>8,000 Tonne/year Contingency Additional Capacity- ( not required during five year term)</b>			
Capital	\$221,375.00	\$0.00	\$933,000.00
Operating	\$80,419.96	\$0.00	\$2,795,252.79
<b>Total</b>	<b>\$13,922,917.59</b>	<b>\$12,473,048.93</b>	<b>\$20,173,774.41</b>
Score (Max 120)	107.5	120.0	74.2

Note: See Attachment # 2 and Attachment # 3 of September 16, 2008 staff report - 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.



PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Halifax Regional Council**  
**October 7, 2008**

**REVISED**

**TO:** Mayor Kelly and Members of Halifax Regional Council

A handwritten signature in cursive script, appearing to read "Dan English".

**SUBMITTED BY:**

---

Dan English, Chief Administrative Officer

A handwritten signature in cursive script, 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 sticker 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
- exterior window frames
- metal trim at loading docks
- repair of baler infeed belt
- roof, including ventilation/fans
- office and hallway carpet
- repair/replacement of steel incline conveyor
- 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**

<b>Proponent</b>	<b>Envelope 1</b> (Technical and Operational Proposal (Maximum 280, 70%))	<b>Envelope 2</b> (Cost Proposal (Maximum 120, 30%))	<b>Total Score</b> (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**

<b>Proposal Element/Category</b>	<b>Miller Waste Systems</b>	<b>Waste Management</b>
<b>Configuration &amp; Capacity</b>	<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>
<b>Staffing &amp; Personnel</b>	<p>Base 35 Peak 39</p>	<p>Base 19 Peak 27</p>
<b>Weighing, Processing, Operations &amp; Residue</b>	<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.

<b>Annual Tonnage Band Delivered to the MRF</b>	<b>Miller Price Per Tonne (Year 1)</b>
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**

<b>Fiscal Year</b>	<b>R330-6301 Operating Budget 08/09*</b>	<b>Projected Operating Fee (Base - Current Services)**</b>	<b>Balance</b>
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**

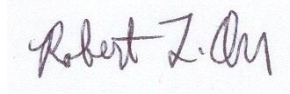
There are no recommended alternatives.

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.



Report Prepared by:

\_\_\_\_\_  
Robert Orr, P.Eng., Collection & Processing Coordinator, SWR 490-6698



Report Approved by:

\_\_\_\_\_  
Jim Bauld, Manager, SWR 490-6606



Financial Approval by:

\_\_\_\_\_  
Catherine Sanderson, Senior Manager, Financial Services, 490-1562



Report Approved by:

\_\_\_\_\_  
Mike Labrecque, P.Eng., Director, Transportation & Public Works 490-4855

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:

<b>Evaluation Criteria</b>	<b>Relative Weight</b>	Miller Waste	Waste Management	EnviroWaste
<b>Technical/Operational Proposal (Envelope 1)</b>				
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
<b>Cost Proposal (Envelope 2)</b>				
All Costs included in the components of pricing (Section 9.0 Form of Proposals)	120	107.5	120.0	74.2
Subtotal	120 (30%)			
<b>TOTAL</b>	<b>400</b>	340.4	333.4	222.8

## Table of Cost Comparison - Cost Proposal Evaluation

<b>Average Operating Fee (Base - Current Services)</b>	<b>Miller Waste</b>	<b>Waste Management</b>	<b>Enviro Waste</b>
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
<b>Annual Increase</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>
<b>Additional Plastics</b>			
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
<b>8,000 Tonne/year Contingency Additional Capacity</b>			
Capital	\$221,375.00	\$0.00	\$933,000.00
Operating	\$80,419.96	\$0.00	\$2,795,252.79
<b>Total</b>	<b>\$13,922,917.59</b>	<b>\$12,473,048.93</b>	<b>\$20,173,774.41</b>
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.