

**CITY OF TEMPE
REQUEST FOR COUNCIL ACTION**
**Council Meeting Date: 09/22/2016
Agenda Item: 6A1**

ACTION: Award a five-year contract with one, five-year renewal option to Waste Management of Arizona for the processing of recyclables from the curbside and commercial recycling programs.

FISCAL IMPACT: The City will pay Waste Management approximately \$2.5 million over the five-year life of the contract to process the City's recyclable material, which will be offset by revenue sharing from the sale of the material as well as operational savings as explained below. At this time, based on current market values for recyclable materials, the recycling program (without transportation costs) is marginally revenue generating for the City. Should the recycle market change to the point that the City owes the awarded firm for the processing of recyclables, sufficient funds have been appropriated in the Solid Waste Fund – cost centers 3713 (Residential) and 3714 (Commercial) – for the anticipated expenditures.

RECOMMENDATION: Award the contract.

BACKGROUND INFORMATION: (17-022) The City of Tempe issued a Request for Proposal (RFP) to establish a contract for the processing of recyclables from the curbside and commercial recycling programs.

The City's current provider, River Recycling, closed its processing facility located at 1919 East University Drive which required the City to deliver its recyclables to an alternate facility located at 13622 North Beeline Highway – River Recycling agreed to compensate the City an additional \$9.00 per ton of delivered material to assist with deferring its additional transportation expenses. The change of facilities adds an additional 17.6 miles and approximately 30 minutes of time for each delivery.

The operating cost for a City side load refuse vehicle, used for curbside collection of recyclables, is approximately \$8.16 per mile, therefore, the additional distance to use the alternate facility at 13622 North Beeline Highway adds substantially to the City's cost of operation with additional expenses related to wages.

Transportation costs associated with the collection of recyclables and transportation to a recovery facility, or transfer point, is one of the largest expenses for the City, therefore, any offer must be evaluated inclusive of the distance and time to the providers' facility.

Evaluation Process

Two firms submitted offers which were reviewed by City staff using the following criteria:

Award Criteria		Weight
1	Cost	6 (46%)
	a Tipping fee	
	b Transportation cost for utilization	
2	Firm	6 (46%)
	a Qualifications	
	b Experience	
	c Facilities operated by firm	
	d Proper licensing	
	e Educational partnership opportunity	
	f References	
5	Overall response to RFP	1 (8%)
	a Quality, composition and completeness of response	
	b Firms acceptance of City's Terms and Condition	

Results of Scoring

Initial review of submittals

The tables below shows the City's estimated cost/revenue based on the processing of 8,280 tons of recyclable materials:

Annual Costs	Waste Management	Friedman Recycling
Tipping Fee	\$ 509,220	\$ 513,360
Estimated Revenue	\$ (512,785)	\$ (740,598)
City Transportation Costs	\$ 271,604	\$ 611,799
Net Cost - (revenue)	\$ 268,039	\$ 384,561

Tipping Fee – A charge for the amount of recyclables delivered to a transfer station.

Estimated Revenue – Individual components are sorted at the vendor's facility and sold to end users. The recycler pays a percentage of the profit to the City.

City Transportation Costs – This is a City cost for pick-up and delivery of the material to the vendor's facility. It is a fee based on the actual mileage to a given facility.

Scoring

Firm	Score	Annual Cost
Waste Management	130.00	\$ 268,039
Friedman Recycling	111.82	\$ 384,561

Best and Final Offer

Both responding firms were invited to an interview with the City to discuss elements of their proposal and applicability to the needs of Tempe. Both firms were asked to provide a best and final offer after the discussions.

Friedman Recycling proposed the utilization of a new transfer station located at 1246 East Gilbert Drive which provided the City with a shorter haul distance.

Waste Management did not modify their offer.

The tables below shows the City's estimated cost/revenue based on the processing of 8,280 tons of recyclable materials in accordance with the best and final offers:

Annual Costs	Waste Management	Friedman Recycling
Tipping Fee	\$ 509,220	\$ 757,620
Estimated Revenue	\$ (512,785)	\$ (586,617)
City Transportation Cost	\$ 271,604	\$ 168,717
Net Cost - (revenue)	\$ 268,039	\$ 339,720

Tipping Fee – A charge for the amount of recyclables delivered to a transfer station.

Estimated Revenue – Individual components are sorted at the vendor's facility and sold to end users. The recycler pays a percentage of the profit to the City.

City Transportation Costs – This is a City cost for pick-up and delivery of the material to the vendor's facility. It is a fee based on the actual mileage to a given facility.

Final Scoring

Firm	Score	Annual Cost
Waste Management	130.00	\$ 268,039
Friedman Recycling	117.34	\$ 339,720

Program Costs

The table below provides comparisons of the annual costs of the Waste Management of Arizona offer versus the City's current contract with River Recycling:

	Waste Management	Current River Recycling Contract
Cost	\$ 268,039	\$ 303,488

While the current market conditions do not generate a revenue stream for the City, recycling is an environmentally sound program and still provides cost advantages to landfilling the materials (disposing of the recyclables at a landfill would cost approximately \$491,355 annually).

Utilization of the Waste Management contract will generate savings of about \$35,500 annually based on the costs associated with their offer and current market pricing for recyclables. It will also reduce miles driven annually by more than 16,000, save 6,400 gallons of gas and reduce carbon emissions by more than 71 tons when compared to the other bid.

Recommendation

It is the recommendation of the committee that a contract be awarded to Waste Management of Arizona, the high scorer, with the lowest overall cost for the City.

ATTACHMENTS: 17-022 Vendor Offer Page

STAFF CONTACT(S): Tony Miano, Deputy Public Works Director – Field Operations, (480) 350-8051

Department Director: Renie Broderick, Internal Services Director

Legal review by: David Park, Assistant City Attorney

Prepared by: Tony Allen, CPPB, Procurement Officer