

Memorandum



DATE August 14, 2015

TO Honorable Mayor and Members of the City Council

SUBJECT **Single Stream Recycle Processing Services Procurement**

On Wednesday, August 19, 2015, the City Council will be briefed on Single Stream Recycle Processing Services Procurement.

The briefing materials are attached for your review.

Please let me know if you have any questions or need additional information.

A handwritten signature in blue ink that reads 'Joey Zapata'.

Joey Zapata

Assistant City Manager

Attachment

c: A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council



Single Stream Recycle Processing Services

August 19, 2015

Dallas City Council



Presentation Overview

- Background and Resource Recovery Planning Study
- Request for Competitive Sealed Proposal (RFCSP) Development
- RFCSP Proposals Received and Scoring
- Highest Ranking Proposal Overview
- Recommended Vendor Review
- Proposed Next Steps
- Appendix – Additional Information



Background



- In 2008 Dallas implemented weekly collection of single stream recycling (blue roll-cart) as part of the OneDAY Dallas program
- In 2008 Dallas was collecting just over 29K tons of recyclable material a year
- For FY 2015-16 it is estimated that Dallas residents will recycle over 56K tons of recyclables which would represent a 93% increase over 2008
 - A recent Resource Recovery Planning study estimated Dallas could increase its residential recycling tonnage by another 40-80%

Background

- Existing recycle processing contract ends in December 2016
 - Dallas earns \$2M annually to help reduce monthly sanitation fee
 - However, many cities nationwide are seeing loss of revenue and/or actual cost for service for new contracts
- In June 2014, staff briefed the Transportation and Trinity Committee on the City's recently completed Resource Recovery Planning Study, which:
 - Reviewed Resource Recovery planning needs
 - Analyzed opportunities to transition the landfill towards a Resource Recovery model that could incentivize green industry
 - Analyzed opportunities related to recycle processing, either through a processing services agreement, City investment or a public-private partnership

Background

- The study recommended that Dallas should begin immediately to conduct a procurement that includes the ability to receive broader proposal options than previously considered.
 - Consider making land available at the McCommas Bluff Landfill for a Material Recycling Facility
 - Developing a procurement that allows for a direct comparison between a processing services agreement and a material recycling facility with a processing agreement located at McCommas Bluff Landfill
 - This broader procurement approach could incentivize more competitive proposals and promote a resource recovery park approach at the McCommas Bluff Landfill
 - If the most advantageous proposal is to build a facility then there needs to be adequate time to complete construction and have the facility available before January 1, 2017

What is a Material Recycling Facility *(MRF)*

- A MRF is an enclosed facility that receives, separates and prepares recyclable materials such as papers, plastics, aluminum cans, and metals to be sold and utilized to make new products.
- These facilities use advanced recycling technologies such as optical sorters, sorting screens, sorting tables, magnets and eddy current sorters to help sort the material.
- Quality control sorters provide additional sorting in the process to properly sort items that the automated technology might have missed.

What does a Material Recycling Facility Look Like?



Inside a Material Recovery Facility



Inside a Material Recovery Facility



Material Recycling Facility End Product



Request for Procurement

- Prior to issuing the RFCSP, staff attended four community meetings
 - Concerns such as quality job opportunities, job compensation, traffic in the community, litter, noise, air quality impacts, employee work environment, and community partnering were identified
 - Specific language was added to the RFCSP to have proposers address these as part of their proposed approach

Request for Procurement

- On December 18, 2014 the City issued a Request for Competitive Sealed Proposals (RFCSP) for single stream recycle processing services
 - The procurement allowed for a direct comparison between a processing services agreement and a material recycling facility with a processing agreement located at McCommas Bluff Landfill
 - The RFCSP was modified with input from the Southeast Oak Cliff community

Final RFCSP Overview

- Options for companies to propose on either (or both) delivery methods
 - **Processing Services Agreement (PSA):** Contractor processes material at a facility that meets RFCSP requirements.
 - **McCommas Bluff Facility:** City to make 15 acres available to proposers to design, build and operate a facility at McCommas Bluff Landfill.
 - Capital cost to be born by proposer and ownership transitions to the City of Dallas at contract termination.
 - Opportunity for facility to “anchor” a Resource Recovery Park

Final RFCSP Overview

- Key RFCSP provisions:
 - **Contract Term:** 15 years with optional renewals (up to 10 additional years)
 - **Background and Experience:** Experience, Ownership, Financial Capacity, Performance
 - **Financial Considerations:** Processing Fee, Commodity Revenue Share, Host Fees (McCommas Bluff option) and Public Education Support
 - **Performance Based Specifications:** Focus on meeting industry standards
 - **Proposed Approach:** Personnel, site details, operational approach and capacity, partnering with local community, employee pay and work environment, ability for tours and outreach at the facility, approach to commercial, multi-family recycling and City's "Zero Waste" goals
 - **Business Inclusion and Development Plan goals**

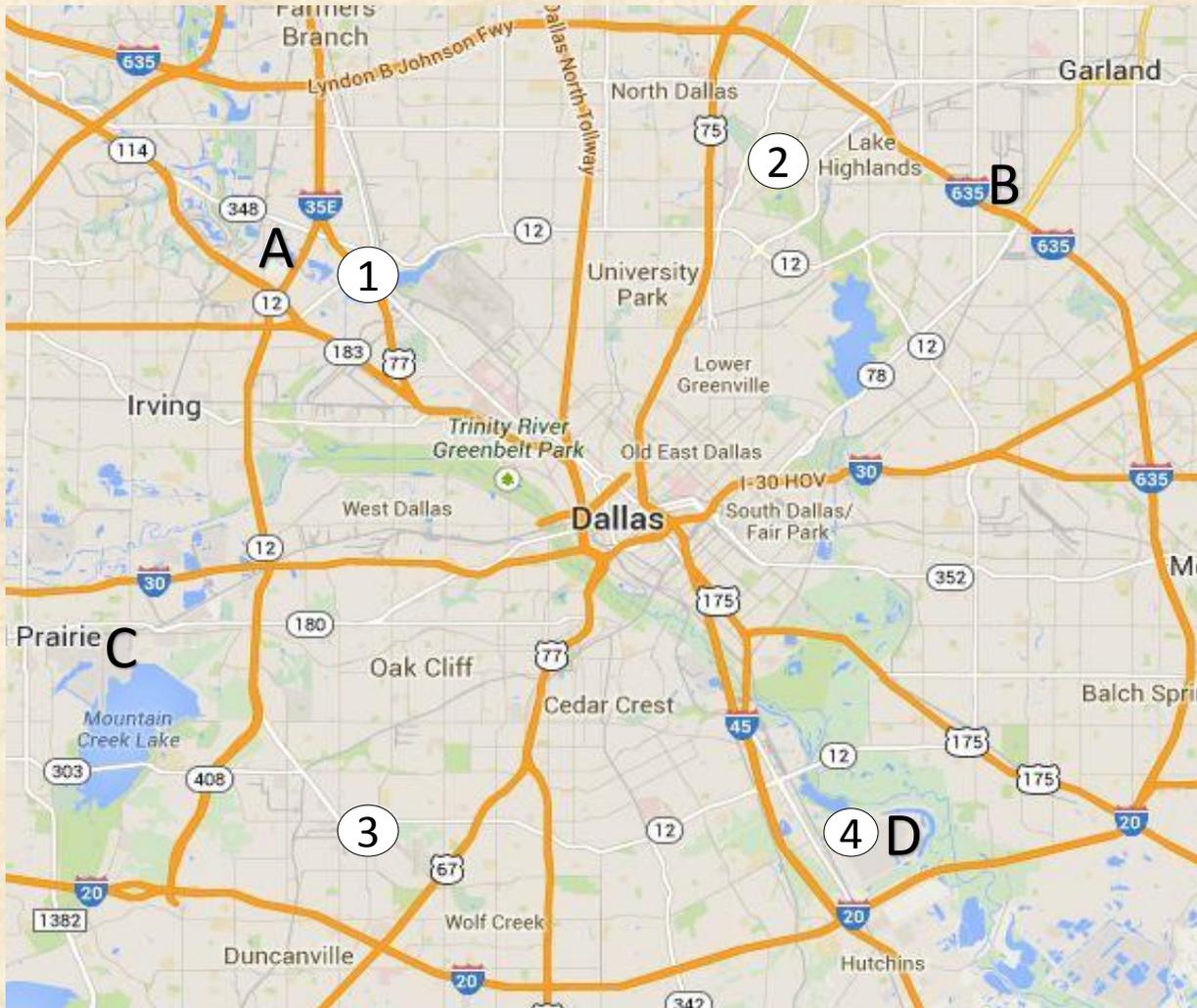
RFCSP Review Timeline

- RFCSP issued: December 18, 2014
- Final proposals received: March 18, 2015
- Evaluation team review: March 23 – May 13, 2015
- Proposer Interviews: April 23 – 24, 2015
- Best and final submissions: May 1, 2015
- Final evaluations completed: May 2015

Proposals Received (listed alphabetically)

- **McCommas Bluff Facility**
 - Balcones Resources (BR)
 - Community Waste Disposal (CWD)
 - Fomento de Construcciones y Contratas, S.A. (FCC)
 - ReCommunity (RC)
- **PSA**
 - Balcones Resources (BR)
 - Community Waste Disposal (CWD)
 - Greenstar Mid-America, LLC (owned by Waste Management) (WM)

Location of Proposed Sites



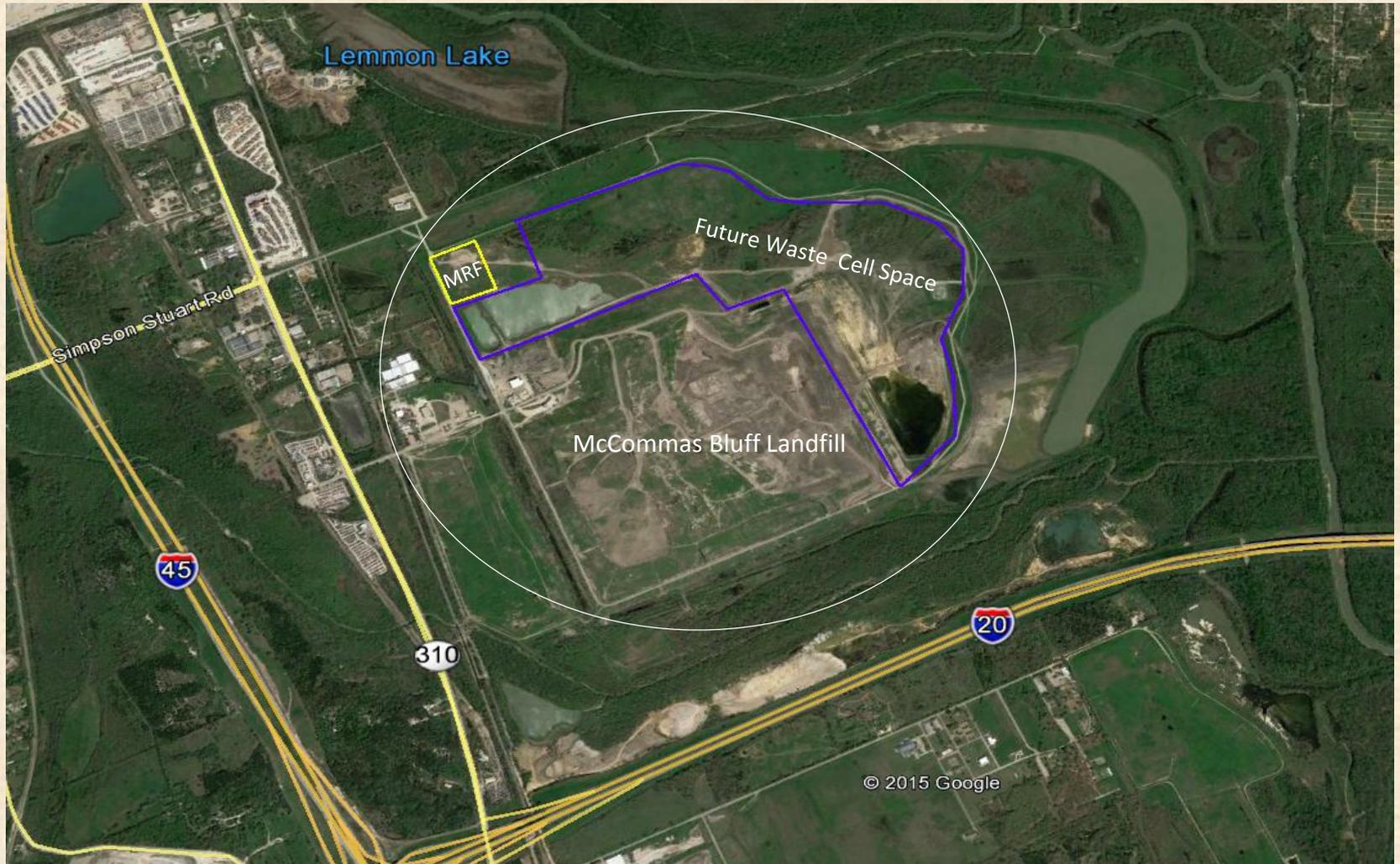
Location of Proposed Sites:

- A. CWD - PSA
- B. WM - PSA
- C. Balcones - PSA
- D. McCommas Bluff
- 4 Proposals

City of Dallas Facilities:

- 1. Bachman TS
- 2. Fair Oaks TS
- 3. Oak Cliff TS
- 4. McCommas Bluff LF

McCommas Bluff Landfill Location



Final Scoring and Rankings

Criteria	Max Points	Balcones (PSA)	Balcones (MB)	CWD (PSA)	CWD (MB)	FCC (MB)	ReCommunity (MB)	WM (PSA)
BID Plan	15	10	10	11	11	15	8	8
Background & Experience	15	13.06	12.81	12.81	12.81	13.05	12.88	11.75
Proposed Approach	30	21.75	23.63	23.00	22.75	26.35	24.38	18.75
Financial Value	40	26.10	0	34.10	18.10	40.00	21.20	26.50
Total	100	70.91	46.44	80.91	64.66	94.40	66.46	65.00

MB – McCommas Bluff Landfill Facility Option
 PSA – Processing Service Agreement Option

Highest Ranking Proposal

- Fomento de Construcciones y Contratas, S.A., (FCC) had the most advantageous proposal. FCC had the highest ranking or was essentially tied for the highest ranking in all four criteria.
 - Large European-based company involved in solid waste/recycling, construction, water, environmental and other industries
- FCC's proposal is to build and operate a new 120,000 ton per year Material Recycling Facility at McCommas Bluff Landfill

FCC Company Background and Experience

- More than 100 years of experience with municipal contracts, providing services in more than 5,000 municipalities worldwide
 - Over 65,000 employees worldwide
- 220 locations/facilities that manage 16 million tons of solid waste and recycling annually worldwide
- Facilities include recycling processing (MRF), anaerobic digestion, waste-to-energy and landfills
- Comparable reference MRFs in the United Kingdom, but none in the U.S.
 - FCC manages 52 material recovery facilities and owns 3 pure single stream MRF's and is in a partnership for a 4th (similar to the size proposed in Dallas)

FCC Company Background and Experience

- Publicly traded on Madrid Stock Exchange
 - Largest Individual Shareholders: Carlos Slim (25.63%), Esther Koplowitz (22.43%), Bill Gates (5.73%)
- U.S. Headquarters in The Woodlands, Texas (near Houston), multiple service and construction contracts in the U.S.
 - Working in the U.S. for more than 20 years (environmental, construction and cement)
 - FY 2014 U.S. revenues - \$500 million

FCC Proposal Approach

- Only proposal to guarantee positive financial value to the City
- Did not request any exceptions to the City's contract terms
- Only proposer to agree that the City will not pay to process recyclables, even in a low commodity market
- Proposal most thoroughly addressed the City's key provisions and requirements from the RFCSP
- FCC experienced with operating similar facilities
- Marketing strategy: combination of local and international markets
- Facility site plan and layout well thought out and allows for potential expansion
- Proposal addresses community concerns

FCC Accepted Program Materials

- **Paper** - Office paper, ad/circulars, cardboard, chipboard (cereal boxes, paper towel and toilet paper cores), magazines, paper bags, envelopes, beverage containers, etc.
- **Plastics** labeled 1 to 7
 - #6 added, not currently in the Dallas program
- **Rigid plastics**
 - Added, not currently in the Dallas program
- **Glass**
 - Bottles and jars
- **Metals**
 - Aluminum drink cans, metal food cans and lids
 - **Household metals (pots/pans), clean aluminum foil and pie plates added, not currently in the Dallas program**

FCC's Approach to Employees and Community

- FCC's proposes hourly employee wages at or above \$12/hr. and will give preference to hire locally in Southeast Oak Cliff
- Sorters will work in climate controlled cabins (only company to propose this approach)
- FCC will utilize a robust safety program, including the use of proximity indicators for employees working in areas with motorized equipment
- FCC agreed to limit facility impacts and address concerns in a timely fashion
 - Agreed to exclude Simpson Stuart Road (west of I-45) for ingress and egress at the McCommas Bluff facility
- Plan to partner with the City of Dallas on local school recycling and waste diversion education programs and to target outreach to elementary schools in the Southeast Oak Cliff area.
- Plans to assist in outreach to commercial sector related to recycling

FCC Facility Approach

- Attractive facility that includes a visitor/meeting facility that can be utilized for scheduled education and outreach
 - Operating facility includes a climate controlled viewing platform for educational tours
- Only concrete tilt wall construction proposed (compared to steel beam/metal build)
- Proposed Tier IV, CNG and Electric fleet
- Processing equipment equal to or better than other proposals
- Only proposal to guarantee third party tonnage, which provides environmental and financial benefits to the City
- Current schedule provides ability to meet December 2016 deadline

FCC Site Plan at McCommas Bluff



FCC Site Plan at McCommas Bluff



FCC Facility Layout

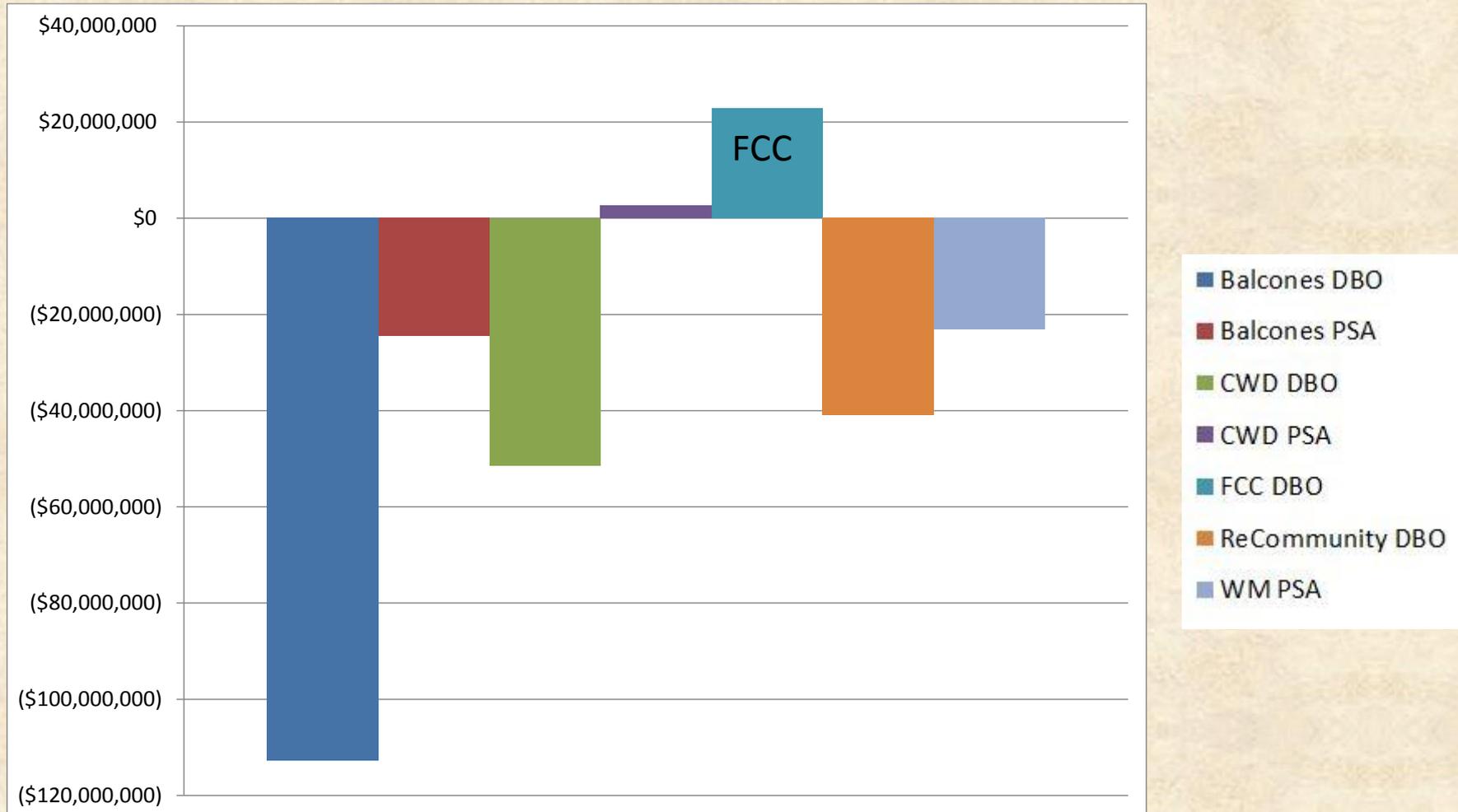


FCC Financial Value

- Based on a combination of nine commodity market and tonnage scenarios, FCC provided the greatest financial value to the City (ranging from \$15M - \$34M)
- Utilizing low to mid-range value assumptions FCC proposal is estimated to bring \$15M - \$22 million in value to the City over the initial 15 year term
 - 50/50 revenue share (on net revenues after processing fee deduction)
 - FCC to pay City host fee of \$15 per ton and guarantees to bring 366,000 tons over 15 years
 - FCC to pay additional public education fee of \$1 per household annually (utilizing a 250,000 home estimate)
- Processing capital fee capped
- No City payments to FCC regardless of market conditions

Financial Comparison – 15 Year Total Value

(based on an average value of 9 scenarios)



Financial Comparison – 15 Year Total Value

(based on an average value of 9 scenarios)

Rank	Firm	MRF Location	Avg. Total Value ¹	Difference
1	FCC	McCommas Bluff	\$22,793,487	\$0
2	CWD	Vendor Site	\$2,726,999	(\$20,066,488)
3	WM	Vendor Site	(\$23,111,710)	(\$45,905,197)
4	Balcones	Vendor Site	(\$24,463,797)	(\$47,257,284)
5	ReCommunity	McCommas Bluff	(\$40,920,950)	(\$63,714,437)
6	CWD	McCommas Bluff	(\$51,357,220)	(\$74,150,707)
7	Balcones	McCommas Bluff	(\$112,779,320)	(\$135,572,807)

- Based on the average of the nine scenarios from the scenario analysis. The amount represents the total 15 year value

FCC Financial Value Breakdown

- Estimated \$15M - \$22M in value to the City over the initial 15 year term (utilizing low to mid-range value assumptions)

Financial Value	Low Commodity	Mid-Range Commodity
Commodity Revenue	\$0	\$6.6M
Revenue from Guaranteed Host Tons	\$6.5M	\$6.5M
Capital Asset Value	\$5.1M	\$5.1M
Public Education Fee	\$3.75M	\$3.75M
Total	\$15.3M	\$22M

FCC BID Plan

Business Inclusion and Development (BID) Plan

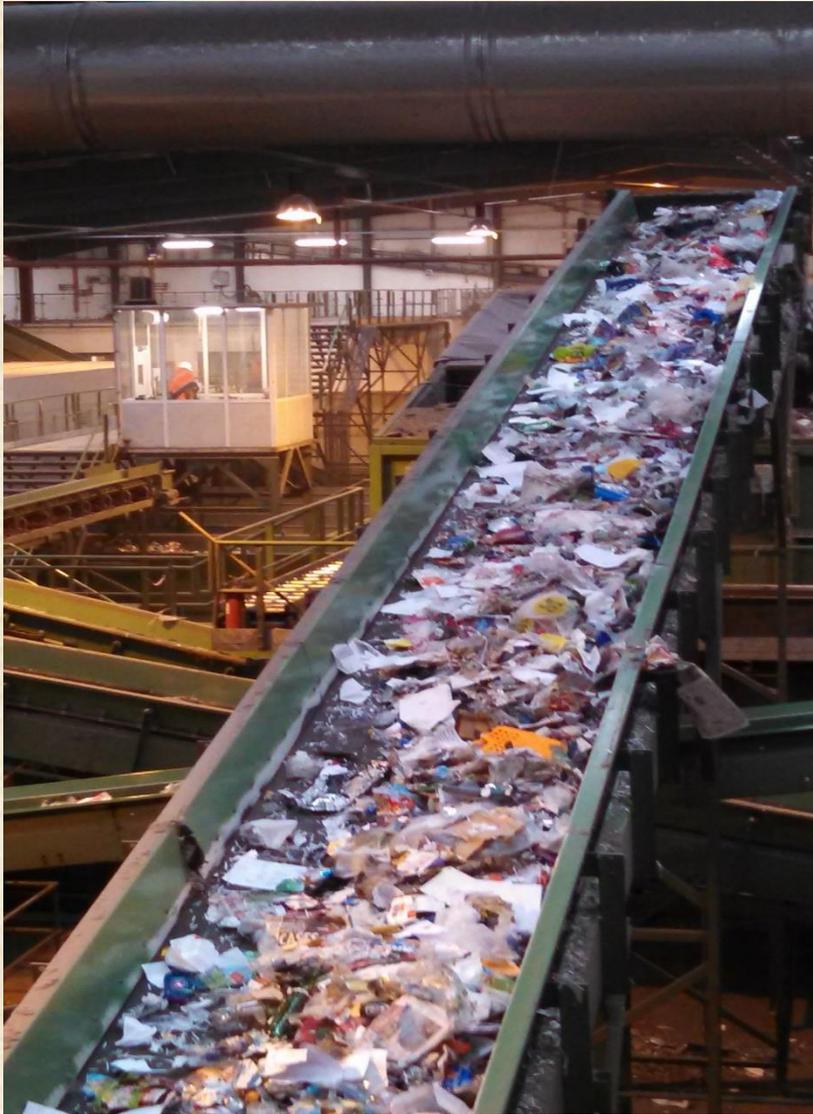
- FCC received the highest point total from the seven proposals
- Support local business during the design, building and operation
- Design: Pacheco Koch and GSR Andrade Architects
- Building: FA Peinado
- Operations: Hire local employees, partner with M/WBE local haulers and engage other M/WBE companies

FCC Reference Facilities

Reference Facility – Envirosort (Evesham, UK)



Reference Facility – Envirosort (Evesham, UK)



Reference Facility – EnviroSORT (Evesham, UK)



Envirosort Neighbors



Re3 – Central Berkshire



FCC Contract Requirements

- City Staff and the City's consultants worked diligently to document specific RFCSP and contract requirements that the proposers were required to meet
- The City's contract includes the RFCSP, the vendors proposal documents and a site ground lease agreement. Additionally, there will be specific contract schedules that address:

Health and safety plan	Communication plan
Construction quality assurance	Traffic plan
Facility and site maintenance	Recyclable material marketing
Commercial and multifamily plan	Transition plan
Contingency plan	Equipment maintenance and replacement
Construction work plan and schedule	Performance bonds for construction and operations

FCC's Proposal in Summary

- Only proposer to meet most all of the RFCSP requirements
- Commitment to partner with surrounding community and local schools
- Commitment to develop a program to partner with other local companies to develop additional business in the area which will use the recyclables.
- Green industry sectors will be attracted to the City and local area to use and reprocess the recovered materials to produce new products further promoting growth and jobs in the City and surrounding area.
- Highest proposed financial value to the City over 15 years
- Very positive approach to employee work environment and pay
- Significant company experience designing and operating material recovery facilities
- Attractive and functional facility design, including a facility education room and operational facility with integrated tour platform

Final Recommendation

- August 26, 2015 Council Agenda
 - Staff recommends award of a 15 year contract to FCC
 - Option for extensions up to 10 years
 - Land lease to FCC to build a Material Recycling Facility and provide single stream recyclable processing services at McCommas Bluff Landfill
 - Estimated financial value of \$15M - \$22M

Impacts of Delay

- Impact of awarding contract past August 26th
 - Contractor cannot guarantee facility construction and equipment will be operational by December 31, 2016
 - Potential cost to City of \$200k - \$500K a month for a short term contract to process recyclables
 - Every \$500K in added cost could add \$.20 cents to the residential Sanitation Fee

Proposed Next Steps

- August 26: Planned Council consideration of FCC contract Council and consideration of consulting services contract with Burns and McDonnell for facility construction and processing equipment quality assurance and acceptance
- December 2016: Material Recycling Facility completed before current processing agreement ends

Appendix

Community Input to RFCSP

Community Input

- Request/Concern: Concerned about that the new facility will increase litter
- How addressed:
 - RFCSP requirement: Facility and site maintenance plans required as part of RFCSP submittal (including litter control).
 - RFCSP requirement: All proposers' vehicles are required to follow local and state laws regarding commercial vehicles and requirements to cover and contain load contents
 - McCommas Bluff Landfill has recently expanded its regulatory required litter collection to include Simpson Stuart Road and some portions of Bonnie View Road.

Community Input

- Request/Concern: Increased traffic from collection vehicles transporting recycling materials to McCommas Bluff Landfill
- How addressed:
 - RFCSP requirement – All proposer were requested to minimize travel through residential areas and maximize use of highways and major thoroughfares. For a facility at McCommas Bluff proposer were instructed to not utilize Simpson Stuart Road (west of I-45) as a transportation route.
 - City transfer trucks hauling waste and recycling from Southwest Transfer Station have been instructed to avoid use of Simpson Stuart.

Traffic Analysis Near McCommas Bluff

Landfill

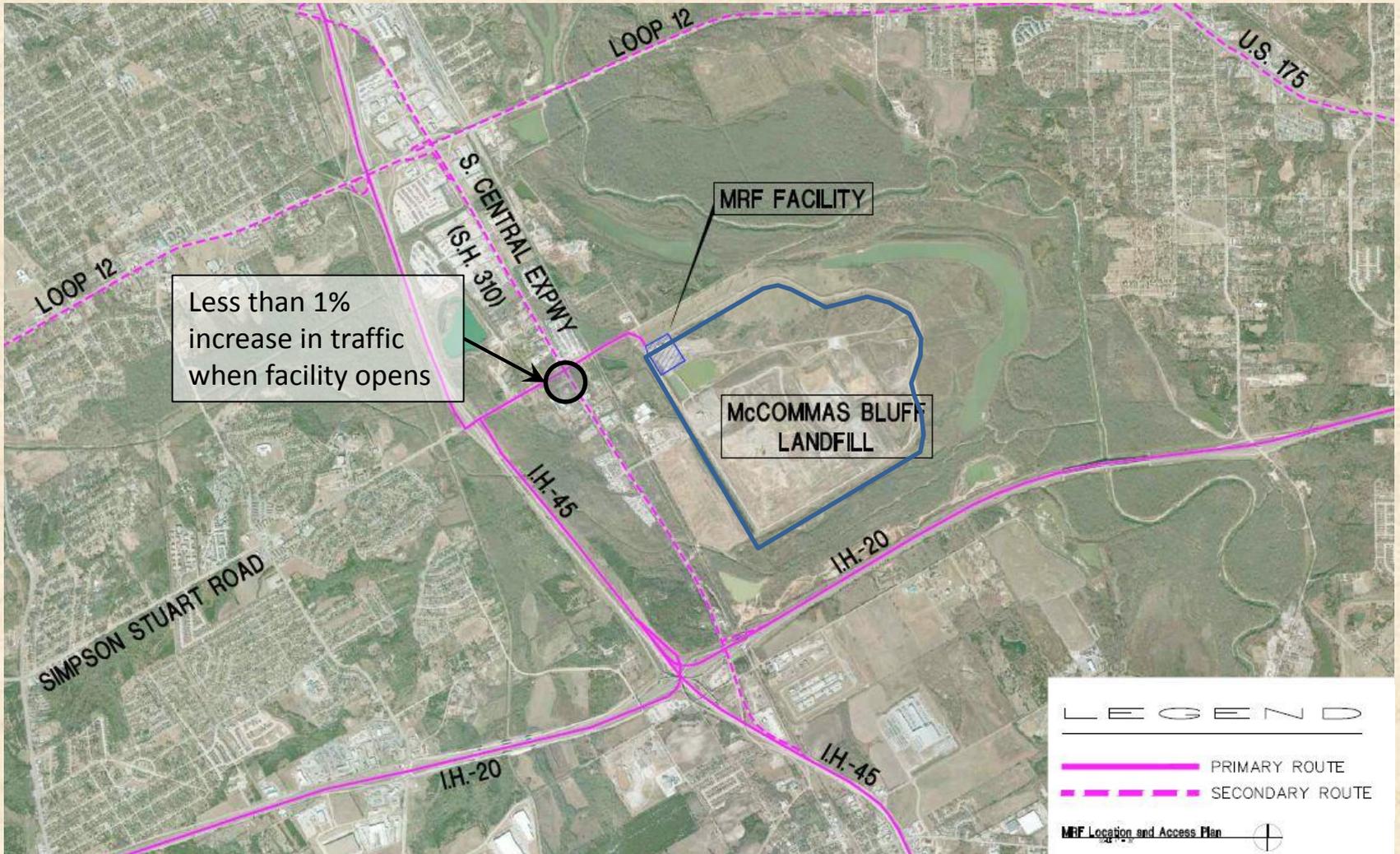
Street	Current 24Hr Count	Estimate 2017 Total assuming all vehicles travel through all intersections (est. 55 additional daily)	Percent Increase	Estimated 2017 Total assuming 50% increase @ any given intersection	Percent Increase
EB Ledbetter @ Bonnie View	14,882	14,937	0.37%	14,910	0.18%
WB Ledbetter @ Bonnie View	14,369	14,424	0.38%	14,397	0.19%
WB Ledbetter @ Central	12,431	12,486	0.44%	12,459	0.22%
EB Ledbetter @ Central	13,141	13,196	0.42%	13,169	0.21%
SB Central @ Ledbetter	7,662	7,717	0.72%	7,690	0.36%
NB Central @ Ledbetter	5,235	5,290	1.05%	5,263	0.53%
EB Simpson Stuart @ Bonnie View*	4,729	4,784	1.16%	4,757	0.58%
WB Simpson Stuart @ Bonnie View*	5,654	5,709	0.97%	5,682	0.49%
NB Central @ Simpson Stuart	3,897	3,952	1.41%	3,925	0.71%
SB Central @ Simpson Stuart	4,937	4,992	1.11%	4,965	0.56%
EB Simpson Stuart @ Central	2,747	2,802	2.00%	2,775	1.00%

* Shown for analytical purposes. Vendor has agreed to utilize routes other than Simpson Stuart

Traffic Impacts

- There will be a limited amount of new traffic related to the facility. It is estimated that the facility will receive approximately 55 trucks on a daily basis at the beginning of the operations in 2017.
 - On an hourly basis (depending on time of day) this would result in an estimated 5-7 trucks per hour or 1 additional truck every 8 to 12 minutes.
 - By year 2032, the estimated traffic could increase to 105 vehicles a day or 1 additional truck every 5 to 8 minutes.

Traffic Plan to/from MRF Site



Community Input

- Request/Concern: Proposers should consider providing well paying jobs and partnering with the community and schools
- How addressed:
 - RFCSP included community partnering, educational opportunities, as well as pay and benefits for hourly employees as part of the approach request.
- Request/Concern: Nuisances (litter, noise, odor) from the facility
- How addressed:
 - The material Recycling facility is an enclosed facility
 - A specific requirement concerning litter, noise, odor and other nuisances was included in the RFCSP requirements.

Facility Impacts



Potential Nuisances are Minimal and Controlled within the Building:

- Noise
- Dust
- Odor

RFCSP Development

RFSCP: COMMUNITY INPUT

- October thru December 2014 – Sanitation staff attended four meetings in the Southeast Oak Cliff community to discuss and receive input regarding the option of building a MRF at the McCommas Bluff Landfill.
 - October 11, 2014 - Southeast Dallas Civic Association (SDCA)
 - October 27, 2014 – Tour of the new Republic Services MRF in Ft. Worth (members of the Southeast Oak Cliff Communities Leadership Association and members of the SDCA were invited to attend; approximately 10 members attended)
 - November 17, 2014 - Southeast Oak Cliff Communities Leadership Association
 - December 1, 2014 - Singing Hills Neighborhood Association
 - December 15, 2014 - Community meeting at the Highland Hills Library

RFCSP Development

- June 2014 - Council approved a supplemental agreement for professional consulting services to assist the City with the Single Stream Processing RFCSP and to assist in the technical and financial evaluation of submitted proposals
- July thru September 2014 - City staff and consultant completed the first draft of the RFCSP
- October – December 2014 – Staff attended four meetings in the Southeast Oak Cliff Community (near the landfill) to receive input related to the potential of a facility being located at McCommas Bluff Landfill for inclusion into RFCSP
- December 18, 2014 final RFCSP (with input from the community) was advertised and published

Additional Information

Additional Related Efforts

- TCEQ Permit amendment for MRF at McCommas Bluff Landfill submitted in July 2015
- Sanitation Services will facilitate and coordinate with Development Services for expedited building construction review and permitting

Evaluation Criteria

Criteria	Max Points
Minimum Qualifications	Pre-requisite
Business Inclusion and Development Plan (BID)	15
Company Background and Experience	15
Proposed Approach	30
Financial Value	40
Total	100

Evaluation criteria allows the City to consider a specific range of evaluation criteria, including but not limited to price

RFCSP Review and Evaluation Team

- RFCSP evaluation team consisted of four City departmental executives from four different departments
 - Three Directors and one Assistant Director
- Additional RFCSP high level support came from the:
 - City Attorney's Office
 - Business Development and Procurement Services
 - Sanitation Services
 - City's consulting team

FCC Fifteen Year Projections Based on Varying Commodity Values

Fiscal Year	Low Value Scenario	Average Value Scenario	High Value Scenario
2017 (Partial)	\$243,750 – \$243,750	\$538,884 – \$538,884	\$863,560 – \$863,560
2018	\$381,250 – \$381,250	\$796,406 – \$821,316	\$1,233,638 – \$1,284,781
2019	\$461,200 – \$461,200	\$869,322 – \$919,766	\$1,310,926 – \$1,415,952
2020	\$639,284 – \$639,284	\$1,039,897 – \$1,116,420	\$1,485,916 – \$1,647,637
2021	\$700,972 – \$700,972	\$1,093,586 – \$1,196,638	\$1,544,065 – \$1,765,358
2022	\$711,795 – \$711,795	\$1,095,906 – \$1,225,822	\$1,550,891 – \$1,834,694
2023	\$722,878 – \$722,878	\$1,097,967 – \$1,254,949	\$1,557,501 – \$1,906,807
2024	\$734,227 – \$734,227	\$1,099,759 – \$1,283,851	\$1,563,889 – \$1,981,731
2025	\$745,848 – \$745,848	\$1,101,272 – \$1,312,339	\$1,570,043 – \$2,059,489
2026	\$757,749 – \$757,749	\$1,102,496 – \$1,340,193	\$1,575,955 – \$2,140,091
2027	\$769,935 – \$769,935	\$1,103,422 – \$1,367,160	\$1,581,616 – \$2,223,531
2028	\$782,413 – \$782,413	\$1,104,039 – \$1,392,954	\$1,587,014 – \$2,309,786
2029	\$795,191 – \$795,191	\$1,104,335 – \$1,417,250	\$1,592,141 – \$2,398,810
2030	\$808,276 – \$808,276	\$1,104,301 – \$1,439,677	\$1,596,984 – \$2,490,534
2031	\$821,674 – \$821,674	\$1,103,924 – \$1,459,815	\$1,601,534 – \$2,584,863
2032 (Partial)	\$5,264,457 – \$5,264,457	\$5,331,406 – \$5,424,906	\$5,457,053 – \$5,726,025
Total	\$15,340,899 – \$15,340,899	\$20,686,922 – \$23,511,939	\$27,672,726 – \$34,633,651

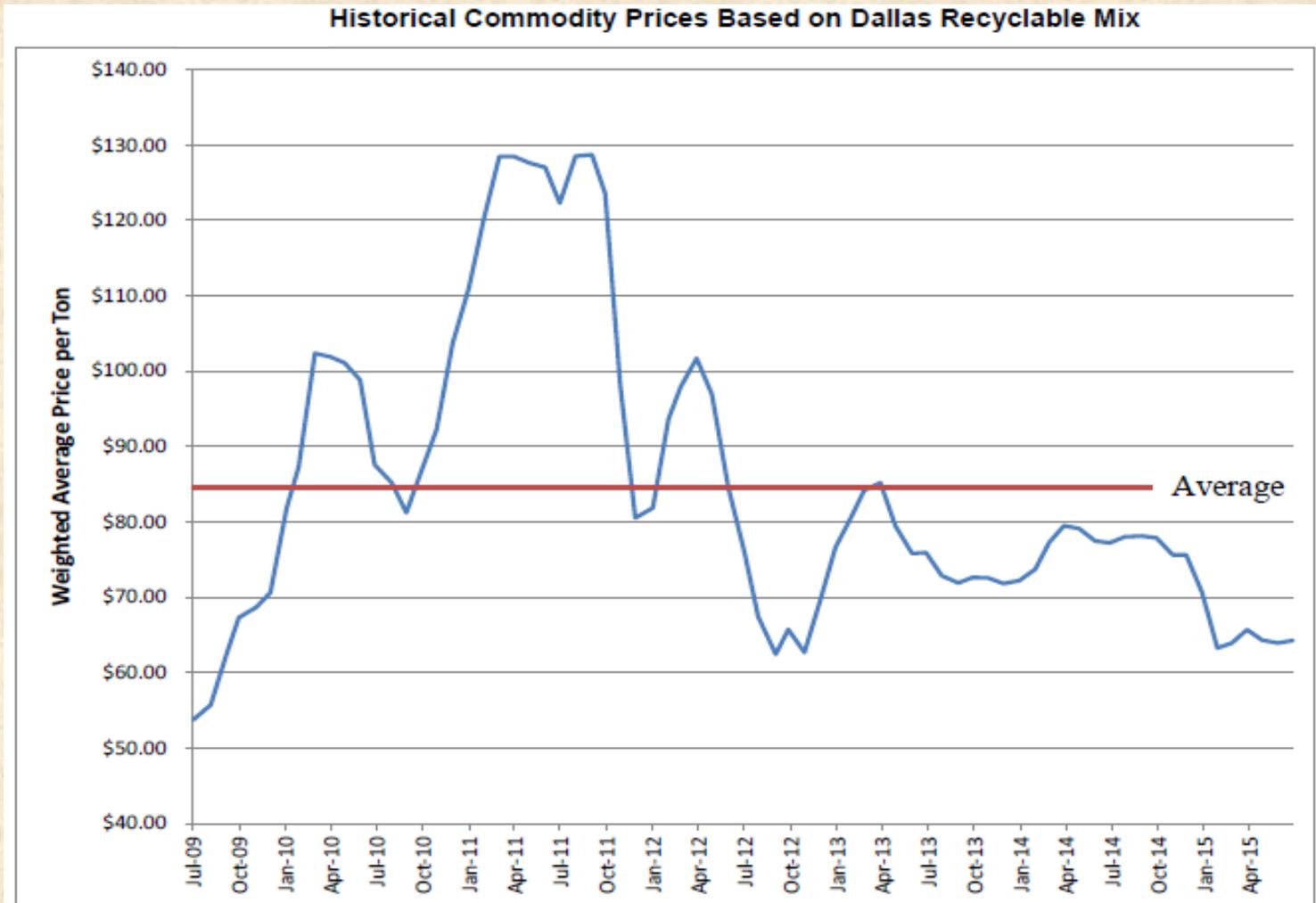
Details of Proposal Financial Components

Rank	Company	Location	Processing Fee	Host Fee	Education and Outreach Fee	Depreciated Capital Value
1	FCC	McCommas Bluff	\$70.84	\$15.00*	\$1.00	\$5,055,608
2	CWD	Vendor Site	\$73.02	N/A	\$0.00	N/A
3	WM	Vendor Site	\$100.50	N/A	\$0.20	N/A
4	Balcones	Vendor Site	\$93.00	N/A	\$0.00	N/A
5	ReCommunity	McCommas Bluff	\$137.80	\$0.00	\$0.10	\$6,860,000
6	CWD	McCommas Bluff	\$144.68	\$1.00**	\$0.00	\$12,659,436
7	Balcones	McCommas Bluff	\$123.00	\$3.00**	\$0.00	\$10,675,000

* FCC has guaranteed to bring 366,000 tons over 15 years

** No guarantee or estimate of additional tonnage

Historical Commodity Prices



RFCSP Process Overview: *Collaborative and Time Tested Approach*

