

Single Stream Recycling Contract
Housing & Community Affairs Committee
Chairman Mike Laster
Frequently Asked Questions
July 14, 2017

1. What is the background information which led to this item being on the agenda?
 - March 2016: Restated contract signed with Waste Management of Texas, Inc. (WM); no ceiling, removed glass, 2-year agreement, effective March 23, 2016. The restated contract extended the competitively bid single stream contract which was approved by council action on Feb. 12, 2013 (Ord. 2013-90).
 - April 2016: Tax Day Flood (April 17, 2016) SWMD redeployed to flood debris management and clean-up, a three-month mobilization effort.
 - May 2016: Memorial Day small flooding event where parts of Southwest Houston, including Braeswood were affected.
 - May 2016: Began outreach campaign to residents regarding dropping glass from curbside program: direct mailer (postcard), water bill insert, and social media.
 - Jun 2016: Began work on glass community drop-off box partnership with Strategic Materials, announce additional drop-off locations, added 8 locations.
 - July 2016: Glass dropped from program; glass in recycling stream drops by more than 50%; before program change glass was 18% of recycle stream, dropped to low of 4%.
 - October 2016: RFP released 10/22/16 for new single stream processing contract.
 - November 2016: Proposers requested deadline extension from November 17, 2016; request granted in letter of clarification which extended RFP submittal due date to December 22, 2016.
 - January 2017: Evaluators began reviewing and scoring proposals.
 - March 2017: Negotiations began with highest scoring proposer.
 - April 2017: Request from City Legal - second and third place proposers are called in for additional discussion of their proposals and request for options to mitigate transportation demand.
 - May 2017: COH requests **Best and Final Offers** (BAFO) from top three proposers. BAFOs received. Evaluation Committee reconvenes and scores BAFOs with no change in top scoring proposer.
2. What were the specifics of the RFP?
 - Mayor Turner and Council requested that the RFP accomplish the following:
 - i. Be open to the full market of companies, specifically offering opportunities for smaller companies to enter the market.
 - ii. Ensure that glass was a part of the accepted materials.
 - iii. Ensure that any company selected shared in market downside risk.
 - Pertinent RFP documents are found at the following link: http://purchasing.houstontx.gov/Bid_Display.aspx?id=T25967.

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3. How many companies submitted proposals?
 - Five (5) companies submitted proposals.
 - i. Waste Management of Texas Inc.
 - ii. BFI Waste Services, LLP (Republic Services)
 - iii. Fomento de Construcciones y Contratas, Inc. (FCC)
 - iv. Independent Texas Recyclers (ITR)
 - v. Friedman Recycling

4. Could any of the above companies be considered “new” to the Recycling Industry?
 - No. The companies that submitted responses to the RFP have been in the solid waste and recycling business for several years, if not decades.

5. Of the companies that submitted, have any ever had, or currently have, a city contract?
 - Yes. Please note the following:
 - i. Waste Management – Single stream processing (75%) and landfill waste disposal.
 - ii. BFI/Republic Services – City buildings waste collection, City transfer station operations, and landfill waste disposal.
 - iii. Independent Texas Recyclers – Single stream processing (25%).
 - iv. FCC – Biosolids Transportation for Public Works & Engineering.

6. Did the city receive a protest on the RFP?
 - Yes. There were three (3) protests received:
 - i. Eco Hub submitted a protest and subsequently withdrew it. No proposal submitted.
 - ii. Friedman Recycling, submitted a non-responsive proposal, pre-award protest.
 - iii. Independent Texas Recyclers, pre-award protest.
 - All protests are being handled by the Strategic Procurement Division and the City Legal Department. SPD has advised that all protests are without merit.

7. Did this process achieve the Administration’s goals as stated in #2?
 - Yes. The RFP was written for all interested parties. It allowed for a company to propose for either one or multiple quadrants of the city based on its “processing capacity”. In this case, a small firm had the option to propose for and hopefully win the portion (quadrant) of city’s recycling stream that it could handle.
 - Glass was specifically requested and included as an acceptable material in all RFP submittals.
 - Alternative or additional processing services not identified specifically in the RFP could be submitted as a proposal in order to increase resources recovered for

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recycling from the City's waste stream. The additional processing services had to achieve a minimum 75% diversion of material from the landfill. The diversion from the landfill could not include use of residual material as Alternative Daily Cover, which in some states counts a recycling.

- Only two of the 4 accepted and evaluated proposers provided a limit or "ceiling" to the city's market risk exposure.
- 8.** Did the department follow the provisions of the city's procurement process?
- Yes. That this was a "big ticket" item, the Chief Procurement Officer (CPO) ensured that additional project oversight was in place. There was the assigned Senior Procurement Specialist, the respective procurement manager, as well as regular and routine briefings on process and progress to the CPO.
- 9.** Did any new start-ups make submissions in the manner described above?
- No. As previously stated, only 5 companies submitted proposals. Of that number, only 4 were what one would consider serious proposers. Of the 4, there were 3 complete proposals. One vendor requested an exception to providing their financial statements. They were considered a non-responsive proposer.
 - Given Houston's size, even one quadrant of the city's recycling stream requires the appropriate and significant level of investment. Bear in mind, a Houston solid waste quadrant has a population of about 500,000 residents and generates waste and recycling volumes similar to larger Texas cities such as Corpus Christi, Laredo, Brownsville, Tyler, or Metro Bryan-College Station.
- 10.** How were the proposals scored?
- Scoring was based on the following matrix:
 - i. Responsiveness of Proposal (Pass or Fail)
 - ii. Experience and Qualifications (15 points)
 - iii. Proposed Plan/Overall Operational Plan (10 points)
 - iv. Accessibility of Location (10 points)
 - v. Recovery Rate of Current Commodities (8 points)
 - vi. Plastic Bags and Film (5 points)
 - vii. Glass Recovery (10 points)
 - viii. Increasing other commodities (2 points)
 - ix. Price to include Fee and Revenue Schedule (30 points)
 - x. Financial Capacity (10 points)
 - xi. MWBE (Pass or Fail)
 - xii. Hire Houston First (5 points-City Limits; 3 points-10 county adjoining area)

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11. What experience does FCC have in the Recycling industry?

- FCC has several contracts in Texas. In addition to the City of Dallas, the company has contracts with Garland, Mesquite, Rowlett and University Park. The value of the company's Texas contracts in force is approximately \$700 million, with half of that amount for recycling services.
- The company operates more than 200 solid waste facilities in 13 countries. They provide services to more than 50 million municipal residents.
- The company has been providing municipal services for a century.

12. Why is the city receiving recycling collection vehicles as a part of this contract?

- The initial Best and Final Offers included a provision for the vendor to purchase, for the city's ownership and use, eight (8) collection vehicles at a cost of approximately \$2.4 million. The proposed interest rate was to be 11.15%. There were further negotiations on the interest rate which was lowered to 6.88%.
- Mayor Turner asked for further analysis on the truck purchase (logistics) by the Solid Waste, Fleet and Finance Departments. Over the ensuing period, the team re-examined the initial data and certified the Solid Waste Department's initial finding that city transportation methodology is a more economic choice.
- With the updated analysis, the Finance Department has advised the Mayor to fund the truck purchase with city debt. The city's interest rate is 1.15% and will yield savings of nearly \$350,000 over the proposed lower vendor interest rate of 6.88%.

13. Is this contract a better deal than what the city current has?

- Yes. This deal establishes a processing fee ceiling of \$25.00 per ton. The ceiling price is the maximum that the city will pay, even during the worst market conditions. The \$25.00 per ton is also equivalent to the price which the city pays for regular landfill waste disposal. Glass will be accepted again at the curb.
- The deal with our current vendor has no ceiling and a current processing cost of \$92.00 per ton. Glass is not accepted at the curb and customers must find their nearest glass disposal site to get rid of the material.

14. Is this a Construction Manager at Risk (CMAR) or Design Build Operate (DBO) contract?

- No. This is a service contract for the provision of recycling processing services only. Per the winning proposal, FCC will design and build a new materials recovery and processing facility (MRF) in Houston at their sole expense. The estimated cost of the facility is \$20 million. The contract does not grant the City any role or involvement in the construction and operation of the MRF. The City's future payments to the vendor will be for tons delivered to the facility once it is completed and certified operational.

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15. Is FCC's new facility being built on city land?

- No. FCC has negotiated a private contract with a landholder where their new facility will be built. The location, 9172 Ley Road, is in a highly industrialized area. Adjacent businesses include machining, welding, trucking (transportation) and lubricants. FCC has reported a lease/purchase option.
- <https://www.google.com/maps/place/9172+Ley+Rd,+Houston,+TX+77078/@29.8299958,-95.2563849,982m/data=!3m1!1e3!4m5!3m4!1s0x8640bae4728d484f:0xe6bc27873b83ea08!8m2!3d29.8299966!4d-95.2542068>

16. Why is the contract for 15 years as opposed to 10 years with 2, 5-year renewal options?

- The minimum term to be considered was a 10-year period. However, to afford the city the best value, proposers were allowed to present different options which would or could lower costs for the city. Section 5 of the RFP, **Exceptions to Terms and Conditions**, clearly stated that exceptions were allowed and should be submitted in a clearly identified separate section of the proposal in which the Proposer clearly cites the specific paragraphs within the RFP where the Exceptions occur. FCC clearly followed the RFP's guidance and included section 13.0 in their proposal submission.
- That the Department invoked the Best and Final Offer provision, all terms were subject to negotiation with the BAFO Proposers.

17. Will the City's recycling take up all the process space at the new facility?

- No. The City projects collecting about 65,000 tons of material (including glass). The plant is designed to handle up to 145,000 tons of material annually, which means that the city's material will consume about 45% of the plants recovery capacity. Just as in the Dallas metroplex area, it is expected that Houston's good fortune may be leveraged by other area municipalities, school districts and businesses. The City and FCC have an education plan in place to increase the amount of recyclables diverted away from landfills.
- Our region has limited landfill capacity which every city, county and business uses. Preserving that valuable landfill airspace commodity for future Houstonians is our financial and environmental responsibility.

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18. Is this RFP and Request for Council Action associated in any way with the One Bin for All Grant?

- No. The One Bin research was funded by a grant from the Bloomberg Foundation, the purpose of which was to decide if there was viability to use proposed Mechanical Biological Treatment and Advanced Resource Recovery (MBTARR) Technology for Houston's waste stream (and cost of solid waste operations). The city ultimately decided that the operational and financial risks for One Bin were not a good economic fit for the Houston landfill disposal market and therefore cancelled the RFP. All proposers on the project were notified by the Strategic Procurement Division via letter this past October: <http://purchasing.houstontx.gov/bids/T24905/S10-T24905%20-%20Cancellation%20Letter.PDF>

19. How has the city advanced its Single Stream Recycling Program?

- Beginning with Mayor Bill White, the city began to convert its dual stream recycling program to single stream collection. It should be noted that only 105,000 of the city's 389,000 customers had any form of curbside recycling services. Most of the curbside recycling customers were in SW, Central and NW Houston. Through an HGAC grant, the city purchased 10,000 green bins and overhauled 2 old collection vehicles to launch its single stream program in 2009.
- During the administration of Mayor Annise Parker, the city accelerated the expansion of single stream services to all parts of the city. Through several implementations covering Mayor Parker's entire 6-year term of office, every city customer was issued a 96-gallon green recycling bin and placed on a bi-weekly collection schedule which coordinated with the customer's trash collection service (black bin). The completion of the single stream roll-out to all City of Houston solid waste customers was a major goal and accomplishment of the administration. <http://www.houstontx.gov/solidwaste/press-20150226.html>

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20. How does the proposed FCC contract compare with the current Waste Management Contract?

- Please see contract provisions comparisons:

HOUSTON			
Vendor		Current WM Contract	Proposed FCC Contract
Initial Term Years		2	15
Extension		0	1-5 year mutual renewal
Price per Ton		\$90.00	\$87.05
Risk Ceiling		\$0.00	\$25.00
Revenue Split		70%	25%
Education Fee		\$50,000	\$75,000
Fees Indexed to CPI		Yes	Yes
Accepted Items			
1	PET (Plastic 1)	Yes	Yes
2	HPDE (Plastic 2)	Yes	Yes
3	Plastics (3-7)	Yes	Yes
4	Paper	Yes	Yes
5	Aluminum	Yes	Yes
6	Bi-metal cans	Yes	Yes
7	Cardboard	Yes	Yes
8	Cartons	Yes	Yes
9	Glass	No	Yes
10	Plastic Bags	No	Yes
11	Film	No	Yes

21. Is there a provision in the contract which deals with advancing technology?

- Yes. The city and vendor have agreed to terms which basically states the vendor ***“will use its commercially reasonable efforts to improve the Recycling Equipment technology according to future needs, or proven, market tested technological advancements with single stream processing systems, for processing the Recyclable Materials, or for adding additional materials to the definition of Recyclable Materials”.***

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22. Recycling Processing Contract Terms of other Texas Cities.

- Dallas – 15 years, 1 – 10-year renewal option (25 years total)
- San Antonio – 10 years, 2 - 5-year renewal options (20 years total)
- Fort Worth – 5 years, 2 – 10-year renewal options (25 years total)
- El Paso – 15 years, renegotiated in 2015 to extend to 2030 (30 years total)
- Corpus Christi – 10, 2 - 5-year renewal options (20 years total)
- Austin – 3 years, 4 – 5-year renewal options (23 years total)