

Single Stream Recycling Contract  
Frequently Asked Questions  
November 28, 2017

**1. What is Council being asked to review and approve?**

The Best and Final Offer process has been completed. City Council is presented with the completed results with Fomento de Construcciones y Contratas, Inc. (FCC) as the recommended vendor for the City's single stream processing services. With the recommendation, Council will set a maximum contract funding amount.

**2. What is the term of the recommended contract?**

The initial term of the recommended contract is fifteen years with a single five-year renewal option.

**3. What is the cost of the contract?**

The cost of the contract is valued at \$36.8 million. The amount is derived by the processing cost per ton. FCC included in their proposal a maximum cap of \$19.00 per ton to be paid by the City for recycling processing services. The \$19.00 per ton cap is nearly 80% lower than what the City's current maximum financial exposure if the City had to pay the full processing fee. Further, the supplemental BAFO has ensured the City shall not pay more for Recycling processing services than landfill disposal.

From a financial management perspective, the City has surety is its recycling processing costs. The City can budget for worst case scenarios knowing that costs to the taxpayer are capped at \$19.00 per ton and shall not be more than current landfill disposal costs.

**4. How do the cap and revenue share work specifically?**

The processing fee is \$87.05 per ton. The market determines the value of the recyclable materials and fluctuates. The City owes the difference between \$87.05 per ton and the market value of the recyclable materials. For example, if the market value of a ton of recyclable materials is \$70.00 (roughly the current trailing twelve-month average); then the City would pay \$17.05 per ton (\$87.05 minus \$70.00).

By comparison, if the market value of that ton is lower, say only \$50.00 per ton, then the difference between the processing fee (\$87.50) and the market is \$37.50 per ton. However, the amount owed by the City is capped at \$19.00 per ton. Therefore, even though the difference is \$37.50 per ton, the City pays only \$19.00 per ton. This limits the City's financial liability in times when the recyclable materials markets are down.

If the market value of that ton is higher, for example \$100.00 per ton, then the difference between the processing fee (\$87.50) and the market value is a "positive" net \$12.50/ton. In such instances, FCC will split the profit paying the City 50%, or \$6.25 per ton and keeping

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\$6.25 per ton for itself. This is a value add back to the City, and sharing in the market's upsides.

**5. How was FCC selected?**

Four companies were asked to submit a Best and Final Offer ("BAFO") in response to solicitation number T25967 issued by the City requesting single stream processing services. These four companies submitted a BAFO:

- i. Waste Management of Texas, Inc.
- ii. BFI Waste Services of Texas, LP (Republic Services)
- iii. Fomento de Construcciones y Contratas, Inc.
- iv. Independent Texas Recyclers LLC

**6. How were the BAFOs evaluated?**

An Evaluation Committee comprised of representatives of the Solid Waste, Legal, Finance and Planning Departments reviewed and scored the BAFO submissions. Evaluation was based on the following published criteria. A detailed description may be found within the Request for Proposals (RFP) in Part VI Evaluation Criteria, page 25.

- 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 if in City Limits; 3 points-if in ten county adjoining area)

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**7. How did each proposal score in the different evaluation criteria categories?**

<b>EVALUATION SCORING (FINAL BAFO)</b>				
<b>Evaluation Criteria</b>	<b>Waste Mgmt.</b>	<b>BFI</b>	<b>FCC SA</b>	<b>ITR</b>
<b>RESPONSIVENESS OF PROPOSAL</b>	<b>PASS</b>	<b>PASS</b>	<b>PASS</b>	<b>PASS</b>
<b>EXPERIENCE AND QUALIFICATIONS</b>	<b>57</b>	<b>61</b>	<b>70</b>	<b>29.5</b>
<b>PROPOSED PLAN/OVERALL OPERATIONAL PLAN</b>	<b>36</b>	<b>37</b>	<b>50</b>	<b>34</b>
<b>ACCESSIBILITY OF LOCATION</b>	<b>45</b>	<b>34</b>	<b>33</b>	<b>40</b>
<b>RECOVERY RATE OF CURRENT COMMODITIES</b>	<b>35</b>	<b>30</b>	<b>38</b>	<b>36</b>
<b>PLASTIC BAGS AND FILM</b>	<b>17</b>	<b>22</b>	<b>24</b>	<b>12.5</b>
<b>GLASS</b>	<b>44</b>	<b>50</b>	<b>50</b>	<b>41</b>
<b>INCREASING OTHER COMMODITIES</b>	<b>10</b>	<b>0</b>	<b>7</b>	<b>5.75</b>
<b>PRICE (FEE AND REVENUE SCHEDULE)</b>	<b>91</b>	<b>116</b>	<b>145</b>	<b>150</b>
<b>FINANCIAL CAPACITY</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>15.75</b>
<b>M/WBE PARTICIPATION</b>	<b>PASS</b>	<b>PASS</b>	<b>PASS</b>	<b>PASS</b>
<b>TOTAL</b>	<b>385</b>	<b>400</b>	<b>467</b>	<b>364.5</b>

<b>HHF DESIGNATIONS</b>	<b>5</b>	<b>5</b>
<b>FINAL SCORES</b>	<b>390</b>	<b>370</b>

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**8. 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 Recycling contracts in force is over \$550 million.
- 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.
- The Material Recovery Facility (MRF) in Dallas recently won the Best Recycling Facility of the Year 2017 award from the National Waste & Recycling Association (NWRA). This award recognizes the facility that demonstrates leadership in key measurements, such as innovation, quantity of materials collected and/or processed, types of materials recovered, and site improvements or sustainability measures adopted.

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

- Yes. This deal establishes a maximum amount paid of \$19.00 per ton. This means the most the City will ever pay for recycling, even during the worst market conditions, is the \$19.00 per ton.
- Glass shall be accepted again at the curb. This is a primary customer issue.
- The deal with our current vendor has no such downside protection, meaning the total amount owed by the City could be as high as \$92.00 per ton. The highest the City has paid under the current agreement is \$53.00 per ton. And, glass is currently not accepted at the curb.

**10. How is this deal different than the contract brought to City Council in July?**

- FCC kept the same processing fee, but lowered its cap from \$25.00 per ton to \$19.00 per ton. This alone will save the City approximately \$11.6 million compared to the previous offer during the terms of the contract.
- FCC increased its educational fee from \$75,000.00 per year to \$100,000.00 per year, and will spend an additional \$20,000.00 per year on its own education program.
- FCC increased the Recyclable Materials Revenue Share from 25% to 50%.
- Once FCC completes construction of its new state of the art MRF, FCC will donate the building, equipment and the land it is located on to the City. The estimated value of this donation is \$23 million. FCC will then continue to operate the MRF for the City during the term of the contract.

**11. What are the key attributes of this program that set it apart from other proposers?**

- FCC is building a brand new state-of-the-art Material Recovery Facility (MRF) that will be as good as or better than their recently built Dallas MRF. A brand new MRF will have the best and latest technology, making it more efficient at recovering recyclables than an older plant. FCC also agreed to keep the facility updated with technological advances in equipment for the term of the contract. See contract, Article V Section 5.01.
- The facility will be located at 9172 Ley Road, Houston, TX 77078.
- FCC included thorough and detailed information on their proposed and operational plan, on both addressing current recyclables and adding new materials in the future.
- FCC will be moving its North American HQ from The Woodlands into the City of Houston. The HQ will be located at the new MRF facility.
- FCC was very competitive in their pricing. It was not the absolute lowest processing fee; however, it did offer a low cap on the City's liability as well as a significant share in the revenue; both of which were improved from their previous proposal.
- FCC offered the highest per year education payment to the City.

**12. What happens after FCC donates the land and MRF facility to the City during the first year of operations?**

- When FCC transfers title to the real estate and improvements, FCC will also enter into a lease agreement, attached as Exhibit M. For the rest of the term FCC will pay the City a nominal \$1.00 per year rent. This is very similar to what FCC's offer and contract is with the City of Dallas, Texas and its state-of-the-art facility.
- FCC will continue to operate, maintain and upgrade the City's MRF and its equipment and cover all costs for such operation and maintenance See contract sections Exhibit M Section 3.03; and Exhibit C.
- The term of the lease agreement is the same as the term of the main agreement. They both include cross defaults in the event either agreement is ended sooner than 15 years.
- Once the agreements terminate, FCC has 60 days to remove its personal property. The City's MRF building and equipment can then be operated by the City or by another operator selected through a competitive solicitation.

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**13. Are the recent changes in China's policy negatively impacting the City's deal?**

- No. As has been noted, the City's financial risk exposure has been contained/capped at \$19.00 per ton.
- The overall anticipated cost to the city from the initial best offer to the council requested supplemental offer has saved the City \$11.6 million, or nearly 25%.
- FCC has facilities and markets throughout the world for its harvested recyclable content.

**14. What is the MWBE commitment?**

- The RFP asked for an 11% commitment. FCC has committed 13.5%, a value of \$4,968,303.00 to Taylor Smith Consulting, LLC.