

SINGLE STREAM RECYCLING PROCESSING SERVICES CONTRACT

Update to Housing and Community Affairs Committee

November 28, 2017

PROJECT UPDATE

- BAFO request issued to the following companies August 2017 for Solicitation #S74-T25967, RFP for Single Stream Recycling Processing Services
 - BFI Waste Services of Texas, LP
 - Fomento de Construcciones y Contratas, Inc.
 - Independent Texas Recyclers
 - Waste Management of Texas, Inc.

EVALUATION CRITERIA

- Responsiveness of Proposal (Pass or Fail)
- Experience and Qualifications (15 points)
- Proposed Plan/Overall Operational Plan (10 points)
- Accessibility of Location (10 points)
- Recovery Rate of Current Commodities (8 points)
- Plastic Bags and Film (5 points)
- Glass Recovery (10 points)
- Increasing other commodities (2 points)
- Price to include Fee and Revenue Schedule (30 points)
- Financial Capacity (10 points)
- MWBE (Pass or Fail)
- Hire Houston First (5 points if in City Limits; 3 points-if in ten county adjoining area)

*Evaluation Committee included representatives from Solid Waste, Planning, Finance and Legal Departments.

EVALUATION BY CATEGORY

| EVALUATION SCORING (FINAL BAFO) | | | | |
|--|-------------|------|-------|-------|
| Evaluation Criteria | Waste Mgmt. | BFI | FCCSA | ITR |
| RESPONSIVENESS OF PROPOSAL | PASS | PASS | PASS | PASS |
| EXPERIENCE AND QUALIFICATIONS | 57 | 61 | 70 | 29.5 |
| PROPOSED PLAN/OVERALL OPERATIONAL PLAN | 36 | 37 | 50 | 34 |
| ACCESSIBILITY OF LOCATION | 45 | 34 | 33 | 40 |
| RECOVERY RATE OF CURRENT COMMODITIES | 35 | 30 | 38 | 36 |
| PLASTIC BAGS AND FILM | 17 | 22 | 24 | 12.5 |
| GLASS | 44 | 50 | 50 | 41 |
| INCREASING OTHER COMMODITIES | 10 | 0 | 7 | 5.75 |
| PRICE (FEE AND REVENUE SCHEDULE) | 91 | 116 | 145 | 150 |
| FINANCIAL CAPACITY | 50 | 50 | 50 | 15.75 |
| M/WBE PARTICIPATION | PASS | PASS | PASS | PASS |
| TOTAL | 385 | 400 | 467 | 364.5 |
| HHF DESIGNATIONS | 5 | | | 5 |
| FINAL SCORES | 390 | 400 | 467 | 370 |

BENEFITS OF SELECTED VENDOR

- FCC will be building a brand new state-of-the-art Material Recovery Facility located at 9172 Ley Road, Houston, TX 77078.
- Facility and land will be given to the City within the first year of operations. City will lease these back to FCC for the term of the processing contract.
- FCC will be moving its North American HQ from The Woodlands into the City of Houston, to be located at the MRF.
- FCC offered competitive pricing through the low cap on the City's payment per ton, and high education fee paid back to the City.

KEY ATTRIBUTES OF CONTRACT

- FCC kept the same processing fee, but lowered its cap from \$25/ton to \$19.00/ton. The City will save 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 and 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.

WHAT IS THE COST OF THE CONTRACT?

- The cost of the contract over 20 years is determined by calculating the maximum exposure to the City based on the cap amount times tons delivered. Where a cap was not offered, the processing fee was used.

| Vendor | Maximum Exposure |
|---|------------------|
| Independent Texas Recyclers (ITR) | \$36.6M |
| Fomento de Construcciones y Contratas, Inc. (FCC) | \$36.8M |
| BFI Waste Services of Texas, LP | \$46.5M |
| Waste Management of Texas, Inc. | \$162.7M |

COST TO THE CITY

STEP ONE:
Calculate if Recycling Payment is Owed OR
Is Income Earned

Gross Recyclable Revenue
Based on Blended Value* per ton

Processing Fee
(\$87.05 escalated)

=

Net Revenue**

*Blended Value per ton based on the higher of monthly indexed sales prices or actual sales price.

**Net Revenue: IF negative is owed by COH; IF positive is paid to COH by vendor.

COST TO THE CITY

STEP TWO:
Calculate HOW MUCH is Owed OR Earned
Based on Net Revenue

Is Net Revenue **Negative** and \geq Cap of \$19.00 ?

Cap Amount (\$19.00 escalated) \times Tons delivered = City Pays FCC (\$19.00/ton)

Is Net Revenue **Negative** and $<$ Cap of \$19.00 ?

Net Revenue \times Tons delivered = City Pays FCC Negative Net Revenue per ton (less than \$19/ton)

Is Net Revenue **Positive**?

Net Revenue \times Tons delivered \times Recyclable Materials Revenue Share (50%) = FCC Pays City Half of Net Revenue

SUMMARY

- Four companies submitted a Best and Final Offer to the City of Houston for the processing of single stream recycling material.
- The submissions were evaluated by an evaluation committee comprised of City employees from four different departments.
- FCC's proposal best met the needs of the City and provided the best overall value. FCC's rate was competitive and location well suited.
- FCC will build a new state-of-the-art facility within the city limits. Additionally, FCC offered to transfer title to its land, building and equipment providing the City with an additional \$23 million value.

THANK YOU!

Questions?