

HALIFAX

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Item No. 14.1.3
Halifax Regional Council
January 29, 2019

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed by 

SUBMITTED BY: _____
Jacques Dubé, Chief Administrative Officer

DATE: January 18, 2019

SUBJECT: **Award – RFP No. 18-086, Operation of the Halifax Materials Recovery Facility (MRF) and Processing and Marketing of Recyclable Materials**

ORIGIN

The expiration on March 31, 2019 of RFP No. 08-084, Operation of Materials Recovery Facility (MRF) 2014-2019 renewal term, and the issuing of RFP No. 18-086 for operation of the MRF on October 17, 2018.

LEGISLATIVE AUTHORITY

Section 79(1)(an) of the *Halifax Regional Municipality Charter* provides that “Halifax Regional Council may expend money required by the Municipality for ... solid waste management facilities”.

The recommended contract award complies with all of the pre-requisites for awarding contracts as set out in section 34 of Administrative Order 2016-005-ADM, the *Procurement Administrative Order*.

Section 36 of the *Procurement Administrative Order*, provides that Halifax Regional Council may approve contract awards of any amount.

RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Award RFP No. 18-086, Operation of the Halifax MRF and Processing and Marketing of Recyclable Materials, to the highest scoring proponent: Royal Environmental, for operations of the MRF from April 1, 2019 to March 31, 2024, at the per tonne and other unit pricing as outlined in their response to the RFP and subject to the terms and conditions contained in the RFP and operating agreement as outlined in this report. Funding is from the Operating Budget, Account # R330 Materials Recovery Facility, as outlined in the Financial Implications section of this report.
2. Direct staff to develop and undertake an appropriate education and communications plan for residents and collection contractors to facilitate the addition of metal pots and pans to the blue bag recyclables program effective July 2, 2019.

BACKGROUND

On June 23, 2015, Regional Council approved a renewal term for RFP No. 08-084, operation of the Materials Recovery Facility by Miller Waste for the five-year period ending March 31, 2019. On July 19, 2016, Regional Council approved a capacity expansion project for the Materials Recovery Facility consisting of the construction of an approximately 8,000 square foot storage building for recycled materials on site at 20 Horseshoe Lake Drive.

RFP No. 18-086 was issued on October 17, 2018 and closed December 4, 2018. An information and site meeting was held on October 25, 2018 for potential proponents which included a tour of the facility to view the operating equipment, processing lines, tipping floor, scale house, maintenance shop, storage areas, storage building, offices, loading docks, building systems, etc. A subsequent site visit was also held on November 9, 2018.

DISCUSSION

The processing and marketing of recyclable materials within Halifax Regional Municipality is conducted at the Materials Recovery Facility (MRF) located at 20 Horseshoe Lake Drive, Bayers Lake Business Park, Halifax. HRM has contracted this service with private sector operator(s) since 1991 and the contract with the current operator expires March 31, 2019.

The MRF facility's main building at 20 Horseshoe Lake Drive is approximately 40,000 square feet and consists of a commingled containers (blue bags) sorting line with associated bunkers, a film plastic baler and a central baler; and a commingled fibres (paper and cardboard) sorting line with associated bunkers and a central baler. In Fiscal 2017/18, a new storage building (for baled product that cannot be stored outside) of approximately 8,000 square feet in size has been added at the rear of this site.

RFP Scope of Work – Base Services

The scope of operations for the MRF in the RFP includes (but is not limited to) the following:

- Processing of 18,753 tonnes of residential recyclables, 5,581 tonnes of ICI recyclables and 951 tonnes of outside municipal recyclables (25,285 tonnes for Fiscal 2017/18) and the ability to handle up to 36,000 tonnes annually;
- Receiving and sorting of approximately 19 different types of recyclables for markets, including sorting, managing and tracking deposit bearing containers destined for Divert NS;
- Weighing, tracking, data management and maintaining records of all residential, ICI and outside municipality's deliveries and marketable material sales data for the facility on a daily and monthly basis;
- Provision and management of sufficient skilled and trained staff to operate the MRF so as to maximize the quantity and quality of marketable materials recovered from recyclable materials delivered to this facility (proponent commits to staffing complement designated in the RFP response);
- Marketing, sales, revenue management, quality control, controlling inventory, arranging transport for all marketable materials;
- Providing reliable maintenance, servicing and repair for the MRF including maintaining the site, buildings and equipment in good, clean, serviceable, orderly and litter free condition;
- Payment of revenue to HRM from the sale of all marketable materials (including deposit containers), 75% to HRM – net of transportation costs;
- Performing joint audits (with HRM) of materials by type for incoming materials and outgoing residue, and operating the MRF in alignment with targeted material capture rates as outlined in the RFP;
- Managing and transporting residue from the facility;
- Undertaking agreed upon improvements, modifications, adjustments or capital works as per the provisions of the RFP.

All for the purpose of maximizing the recovery rate from recyclable materials and marketing it to reliable markets while optimizing revenue and minimizing residue. Proponents were requested to address all of the above operational requirements in their response to RFP No. 18-086.

The initial term of this agreement is for five years from April 1, 2019 to March 31, 2024. There is an option, at HRM's sole discretion, to extend the contract with the successful proponent for an additional five-year period. During the five-year extension, an annual CPI adjustment would apply to the per tonne operating fees. A Materials Recovery Facility Operation Agreement reflecting all of the requirements of the RFP No. 18-086 was included with the RFP documents for signing at the time of award by HRM and the successful proponent.

RFP Scope of Work – Additional Potential Items

Proponents were requested to review the current facility and processing line arrangements to describe their approach to processing the materials including possible processing improvements, both operating and capital improvements, that they would propose to make at the facility (if any, and their rationale) in order to efficiently and effectively process current annual tonnage and future increases in annual tonnage.

Proponents were requested to respond with a processing and marketing plan for the current list of recyclable materials, and with the potential implications of and a processing and marketing plan for the option(s) of adding the following new materials: (a) metal pots and pans, (b) empty aerosol cans, and (c) polystyrene.

HRM staff completed a facility assessment for the MRF with information included within the RFP to identify to potential proponents the building and/or equipment components that will require assessment, upgrade, repair or replacement over the initial five-year term of the RFP (at HRM's cost), including:

- sprinkler system;
- roof ventilation fans and air monitoring system;
- membrane repair of the roof;
- downstairs windows;
- metal edge trims & siding near dock doors;
- paving maintenance & pothole repairs (yearly);
- replacement of inbound and outbound scales (HRM tendering and award currently in progress);
- replace forklift (model year 2009) at 15,000 hours;
- assessment and repair or replacement of the older baler (installed in 2004);
- assessment and repair of the newer baler (installed in 2014/15).

Proponents responding to the RFP were to review the above list and identify if they were in agreement with the items, to assess the facility, and identify other potential deficiencies. HRM is not committed to proceeding with the proponent's identified repairs or replacements but rather, after the award of the RFP to the successful proponent, staff will finalize the agreed upon list of repairs and replacements and will identify and prioritize for the annual budget process, for consideration and approval by Council. A similar approach has been used successfully to maintain the facility each year through the current MRF operations RFP.

Two Stage Proposal Process

The RFP utilized a two-stage proposal process. Proponents submitted a Technical Proposal (Envelope A) and a Cost Proposal (Envelope B), addressing all of the elements of the RFP.

Staff applied the two-stage evaluation process as detailed in the RFP. As part of the Technical Proposal, financial capability (including submission of bid bond/deposit, insurance letter, ability to obtain contract surety, and other financial or project reference information) was evaluated pass/fail (all proponents passed the financial capability evaluation). The Technical Proposal (Envelope A) was scored out of a possible 700

points (70%), and the Cost Proposal (Envelope B) was scored out of a possible 300 points (30%), for a total maximum of 1,000 points (100%).

The evaluation team consisted of four staff from Solid Waste Resources facilitated by a Senior Procurement Consultant. The results from the Technical Proposal evaluation (stage one, Envelope A) were scored by the team, then compiled and tabulated by the Senior Procurement Consultant prior to the opening of Envelope B and the Cost Proposal evaluation (stage two). In order to move on from stage one, the Technical Proposal evaluation, proponent’s proposals had to achieve a passing grade for financial capability, at least 50% of the available points for each technical criterion, and at least 75% of the total available technical points (i.e., at least 525 out of 700 points). Four proponents responded to RFP No. 18-086. One proponent did not achieve the minimum technical scoring necessary to move on to stage two.

In stage two, an evaluation of the Cost Proposal for three proponents was completed with a score of 300 assigned to the low price proponent, and the score of higher price proponents pro-rated in proportion to the amount that their price was greater than that of the low price proponent.

The method and items included in the cost evaluation are defined in the RFP and include:

- The total price of the base services, calculated based on the average price per tonne over five years;
- The incremental capital cost and operating savings/cost of proposed processing improvements over five years (as applicable);
- The incremental capital cost and operating cost for capturing metal pots and pans and polystyrene over five years (as applicable).

Proposal Scoring

Three proponents were evaluated for stages one and two as follows:

- Canada Fibers;
- Miller Waste;
- Royal Environmental (in conjunction with Scotia Recycling).

The results of the two-stage evaluation process are provided in the following summary table:

Table 1 – Summary of Proposal Scoring

Proponent	Canada Fibers	Miller Waste	Royal
Technical Proposal (700 points)	599.69	599.00	576.63
All Costs as included in the RFP components of pricing	\$20,352,779.59	\$25,878,402.28	\$16,407,377.60
Cost Proposal (300 points)	227.86	126.83	300.0
Total (1,000 points)	827.55	725.83	876.63*

***Recommended.**

Royal Environmental is the highest scoring and recommended proponent. Royal is part of the Municipal Group of companies who participate in multiple facets of the solid waste and environmental sectors in the Maritimes including collection, recycling, facility operations, transportation and environmental treatment. Their proposal is in conjunction with Scotia Recycling who will lead the material marketing and sales efforts and provide technical and operational advice for the MRF operations.

Royal will utilize the resources of the Municipal Group for aspects of facility operations including human

resources, training, health and safety, equipment maintenance, accounting and information technology. Scotia Recycling operates approximately thirteen processing and baling facilities in Atlantic Canada and is one of the largest processors and brokers of recycled materials in the region. Scotia operates a Materials Recovery Facilities for City of St. John's and processes Valley Waste's recyclables. Scotia Recycling currently markets over 250,000 tonnes of recycled materials per year through all of its operations in Canada and the eastern United States. Royal indicates that they have a staffing plan for transition at the MRF that will include an opportunity for existing interested staff to apply for positions with their firm and participate through the recruiting process if awarded the contract as the operator effective April 1, 2019.

FINANCIAL IMPLICATIONS

As detailed in the RFP, the price structure for the agreement includes an operating per tonne fee for base services (see Table 2 below) within annual tonnage bands and prices (as applicable) for processing improvements, and for the options of potential new materials – metal pots and pans and polystyrene.

Table 2 – Operating Fee Summary

Annual Tonnage Band Delivered to the MRF	Royal Fixed Price Per Tonne Operating Fee – Year 1
18,001 – 20,000	\$124.70
20,001 – 22,000	\$121.40
22,001 – 24,000	\$118.67
24,001 – 26,000	\$115.84
26,001 – 28,000	\$114.43
28,001 – 30,000	\$112.75
30,001 – 32,000	\$111.29
32,001 – 34,000	\$110.01
34,001 – 36,000	\$108.87

Note: Annual increase is 2.25% in relation to the previous year of the contract.

Subject to Regional Council awarding RFP No. 18-086 to the recommended bidder and based on the projected tonnage band for Fiscal 2019/20 (24,001 – 26,000 tonnes), the per tonne operating fee will be approximately 0.87% less than the current year per tonne operating fee.

Given that the proposed 2019/20 budget for the subject contract was based on the current per tonne operating fee, funding for this contract can be accommodated from the proposed Operating Budget in R330 (Materials Recovery Facility), subject to Council approval.

In Royal's proposal, metal pots and pans can be added to HRM's blue bag recyclables without additional costs as the base staff complement would recover these items for recycling at the de-bagging and pre-sort stage of the blue bag processing. The materials would be marketed and sold to metals recyclers (similar to steel and aluminium cans).

For the addition of polystyrene, Royal's proposal includes an additional first year cost (including capital and operating) of approximately \$22,370. Based upon current market conditions, polystyrene would have weak markets and would likely be at negative revenue. Therefore, staff does not recommend adding this material to HRM's blue bag recyclables at this time. Instead, staff recommends monitoring market conditions regularly and when markets improve, to review the reliability of markets and revenue for polystyrene to see when there is a positive business case for adding this material.

Due to potential safety concerns from adding empty aerosol cans including potential for remaining residual contents and cans being pressurized causing risks for heating, fire or explosions (which was articulated by

a number of proponents), staff do not recommend adding these items to blue bag recyclables.

RISK CONSIDERATION

There are no significant risks associated with the recommendations in this Report. The risk considerations are considered low. To reach this conclusion, consideration was given to start-up and operational risks. The recommended proponent's proposal indicates they have the technical and operational resources and marketing ability and experience, along with a staffing plan to commence operations April 1, 2019.

ENVIRONMENTAL IMPLICATIONS

The Materials Recovery Facility operations contribute to HRM's environmental stewardship by providing recycling of residential and ICI recyclables for citizens in the region. The addition of metal pots and pans will incrementally increase diversion from landfill.

ALTERNATIVES

There are no recommended alternatives.

ATTACHMENTS

Attachment #1 - Completed Evaluation Criteria Scoresheet (maximum 1,000 points) for the three proponents

Attachment #2 - Table of Cost Comparisons – Cost Proposal Evaluations (provides the table showing the total price for the purposes of Cost Proposal evaluation over five years in the RFP for the three proponents)

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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Attachment #1 - RFP No. 18-086 Operation of the Halifax Materials Recovery Facility (MRF)

RFP No. 18-086 Operation of the Halifax Materials Recovery Facility (MRF) and Processing and Marketing of Recyclable Materials				
Appendix A Scorecard				
		*Royal Environmental	Canada Fibre	Miller Waste
Technical Proposal (Envelope A)	Weight	Score	Score	Score
Financial Capability [submission of bid bond/deposit, insurance letter, ability to obtain Contract Surety (Irrevocable Statement of Commercial Credit and Performance Bond), bank/financial institution, financial reference, example projects involving financial management, demonstrated financial capability to undertake similar size projects, etc.]	Pass/Fail	Pass	Pass	Pass
General & Corporate (firm/organization, contacts, cover letter, project manager, history of similar work, project structure, etc.)	25	20.50	22.19	21.94
Proponent's Qualifications/Credentials (overview of proponent's management structure, technical capabilities, operational credentials, overall staff, & personnel capability and ability to operate facilities and deliver on projects, stability, resources, successful & reliable experience, etc.)	35	27.06	29.81	30.81
Management/Technical Staff Credentials & Resumes (management, technical staff resources, team, roles, individual(s) extent of involvement, qualifications, background, experience, previous work, credentials, etc.)	40	31.75	34.50	34.63
Operational Experience & Reference Projects (data and information on relevant projects & facilities, three reference projects, similarity, scope of work, etc.)	60	49.13	52.88	54.50
Configuration, Sort Order & Capacity (processing methods, materials management, approach to sorting, capturing, productivity, marketing, residue management, changes, improvements, layout schematic, schedule, methods to capture & market metal pots and pans, schedule, empty aerosol cans implications, methods to capture and market polystyrene (implications), schedule, methods to assess new materials, etc.)	150	126.25	128.13	127.44
Staffing & Personnel (number of staff, role & function, training, human resource programs, transitional issues, etc.)	100	82.75	87.13	85.00
Weighing, Processing, Operations & Residue (weighing/data management, scale system, business equipment, systems, processes, management practices, line speeds, operations monitoring and control, tipping floor, monitoring facility activities, system components & processes, managing post-processed materials, productivity/efficiency, residue reduction, communications, etc.)	60	48.38	49.63	50.38
Facility, Maintenance & Equipment (assessment of maintenance/upgrade issues, other identified issues, proponent provided equipment, maintenance background/experience, etc.)	40	32.38	33.56	34.06
Material Marketing & Revenue (marketing plan, experience, access to markets, approach, marketing staff, time resourced, quality management system/program)	150	125.75	130.75	128.00
Plan, Manual, Audits, Capture Rate, Records & Reports (outlines for management & contingency plans, O&M manual, material audits, capture rate plan, scale & operations data, etc.)	40	32.69	31.13	32.25
Must achieve 75% of the total available technical points:525 of 700 pts	700 (70%)	576.63	599.69	599.00
Subtotal				
Cost Proposal (Envelope B)				
All Costs included in the components of pricing (completed Appendix C – Cost Proposal Submission Form)	300	\$16,407,377.60	\$20,352,779.59	\$25,878,402.28
Subtotal	300 (30%)	300.00	227.86	126.83
TOTAL	1000	876.63	827.55	725.83

Recommended*

Attachment #2 Table of Cost Comparisons – Cost Proposal Evaluations

RFP 18-086 Operation of Halifax MRF	Canada Fibers	Miller Waste Systems	Royal Env
Year 1 Price	\$3,515,111.11	\$4,125,276.67	\$3,102,104.44
Year 2 Price	\$3,585,413.33	\$4,249,034.97	\$3,171,901.79
Year 3 Price	\$3,657,121.60	\$4,376,506.02	\$3,243,269.58
Year 4 Price	\$3,730,264.03	\$4,507,801.20	\$3,316,243.15
Year 5 Price	<u>\$3,804,869.31</u>	<u>\$4,643,035.23</u>	<u>\$3,390,858.62</u>
(i) RFP Five Year Per Tonne Total	\$18,292,779.39	\$21,901,654.08	\$16,224,377.60
(ii) Book Value at End of Year 5 (Capital Improvements)	\$1,500,000.00	\$3,865,756.00	\$0.00
Additional monthly capital cost	\$25,000.00	\$74,735.87	\$0.00
Incremental operating cost per tonne for processing improvements	-\$11.50	-\$42.50	\$0.00
Capital Cost (5 year)	\$1,500,000.00	\$4,484,152.20	\$0.00
Operating Costs/Savings	<u>-\$1,518,000.00</u>	<u>-\$5,610,000.00</u>	<u>\$0.00</u>
(iii)	-\$18,000.00	-\$1,125,847.80	\$0.00
(iv) Pots and Pans Book Value at End of Year 5	\$0.00	\$0.00	\$0.00
Additional Monthly Capital Cost Pots & Pans	\$0.00	\$0.00	\$0.00
Incremental Operating Cost per tonne (P&P)	\$2.00	\$1.56	\$0.00
Capital Cost (5 year)	\$0.00	\$0.00	\$0.00
Operating Costs/Savings	<u>\$264,000.00</u>	<u>\$205,920.00</u>	<u>\$0.00</u>
(v)	\$264,000.00	\$205,920.00	\$0.00
(vi) Polystyrene Book Value at End of Year 5	\$25,000.00	\$0.00	\$75,000.00
Additional Monthly Capital Cost Polystyrene	\$416.67	\$0.00	\$1,250.00
Incremental Operating Cost per tonne Polystyrene	\$2.00	\$7.81	\$0.25
Capital Cost (5 year)	\$25,000.20	\$0.00	\$75,000.00
Operating Costs/Savings	<u>\$264,000.00</u>	<u>\$1,030,920.00</u>	<u>\$33,000.00</u>
(vii)	\$289,000.20	\$1,030,920.00	\$108,000.00
TOTAL COSTS SUM	\$20,352,779.59	\$25,878,402.28	\$16,407,377.60
COST POINTS	227.86	126.83	300.00