



Date: May 7, 2013

To: Thomas J. Bonfield, City Manager
Through: W. Bowman Ferguson, Deputy City Manager
From: Donald M. Long, Director Solid Waste Management
Subject: Contract for Transfer, Transport and Disposal Services

Executive Summary

In March 2011, The City of Durham's Department of Solid Waste Management (SWM) issued a Request for Proposal (RFP) seeking qualified consultant firms that specialize in solid waste planning, permitting and design to assist with developing and implementing a Comprehensive Solid Waste Disposal Plan (the "Plan"). The resulting Plan was implemented in three phases. Phase I included a review and analysis of current SWM operations and existing system conditions at the City transfer station (transfer, loading, usage, materials flow, etc.), with recommended improvements. Phase II generated a Request for Proposal (RFP) soliciting private-sector partners for the individual recommendations and components of the project which were recommended in Phase I and the review of the responses to the RFP. Phase III consisted of the selection of Contractors and contract negotiations and development.

Staff recommends Waste Industries, LLC as the Contractor to design, permit, construct and operate the transfer station at the City's Waste Disposal and Recycling Center (WDRC) for the receipt and transfer of municipal solid waste (MSW) and recyclable materials. The Contractor will accept, transfer, transport and dispose of MSW that is delivered to the City's existing transfer station until such time as the new transfer station is built and operational. The Contractor will also accept, transfer, and transport recyclable materials to a designated Materials Recycling Facility (MRF). The Contractor will be responsible for the operation and maintenance of the Transfer Station throughout the term of this Contract. The initial term of the contract will be for a period of ten (10) years. At the sole discretion of the City, the Contract may be renewed for two additional terms of five years each. The initial cost of the contract over the initial ten years is \$52,635,810 a savings of \$7,412,059 over the initial ten-year period if the current contract remained in force (see Attachment 1).

Recommendation

The Department recommends that the City Council authorize the City Manager to execute a contract with Waste Industries, LLC to design, construct and operate a transfer station at the City's Waste Disposal and Recycling Center (WDRC) for the receipt and transfer of

municipal solid waste (MSW) and recyclable materials for a period of ten years with subsequent renewal options at the discretion of the City.

Background

Fifteen years ago, the City of Durham's Transfer Station was built as a temporary facility, designed to last until the construction of the new landfill was completed. During construction of the transfer station, it was decided that the City would not construct a new landfill. The decision to not build a landfill meant that the temporary transfer station had become a permanent fixture. Over the past four years City has received several Notices of Violation from North Carolina Department of Natural Resources for the poor condition of the tipping floor where commercial vehicles eject their waste. The City has spent nearly \$800,000 in construction costs and has lost nearly \$250,000 in tipping fee revenues during times the facility has been repaired.

In lieu of spending exorbitant amounts of money continuously doing patch work on the facility, the Solid Waste Management Department, working in conjunction with the City Manager's Office, Budget and Management Services staff, General Services staff, and Finance Department staff, decided to develop a comprehensive study of its current facility and operations. An RFP was issued seeking qualified consultant firms that specialize in solid waste planning, permitting and design to assist with developing and implementing a Comprehensive Solid Waste Disposal Plan. CHA engineering firm was chosen to assist SWM in developing the Plan.

The Plan was developed in three phases: In Phase I, the Consultant reviewed and analyzed existing system conditions at the City's Transfer Station (transfer, loading, usage, materials flow, etc.) and made recommendations regarding system improvements. Attention was directed on methods of disposal such as municipal solid waste (MSW), construction and demolition materials and yard waste materials. Waste to Energy was also evaluated. In January 2012, CHA presented a report to City Council detailing its findings in Phase I.

Phase II required the Consultant to prepare an RFP to solicit private-sector partners for the individual components of the project as recommended in Phase I. The Consultant assisted the administration with the evaluation and selection process of responses received from the RFP. Requirements in this phase included analyzing cost factors and best practices in construction design and materials, and providing a matrix including key elements of each proposal received, such as technology used, and location of all disposal services. CHA, along with a review committee, evaluated the proposed private-sector partnerships. They considered the feasibility, cost and environmental factors associated with the project and provided a matrix separating each cost aspect of transfer station operations, including disposal, hauling, and the transfer stations operations and the hauling of recyclable materials.

Originally Phase III of the Plan consisted of the review and selection of the proposers in the RFP process, along with the permitting and construction process for the Transfer Station, with the City being the builder. After receiving the RFP proposals, the Department realized that the scope of Phase II and III should change to reflect that private companies would be willing to construct a Transfer Station at no cost to the City. Phase III became the selection of private builder and operator, and contract negotiations and development.

Issues and Analysis

The goal of developing a comprehensive solid waste plan was to address replacing an outdated transfer facility that was prone to expensive repairs. MSW and recycling operations, disposal concerns and additional ways to increase waste diversion opportunities were also considered.

The Consultant assisted the Department in the evaluation and selection process for prospective contractors, assuring that City requirements were met. RFP responses were evaluated by a panel and the Consultant provided a matrix separating each cost aspect of transfer station operations, including construction, disposal, hauling, and recycling. Following the evaluation process, staff recommended accepting Waste Industries, LLC's proposal to design, permit and construct a transfer station at the City's Waste Disposal and Recycling Center (WDRC) for the receipt and transfer of municipal solid waste (MSW) and recyclable materials.

Alternatives

One alternative is that the City can renew the current contract for operation, transportation and disposal of MSW at a cost that is much higher than the proposed agreement with the recommended Contractor. The current contract which expires June 30, 2013, stipulates that a 90-day notice of intent to extend the contract be given; the City did not exercise this option. The Contractor will not grant the City a month-to-month extension and is more likely to require a longer period of extension, i.e., a one-year extension. A second alternative is to re-issue a RFP for operation, transportation and disposal services. This option puts the City at risk because it will not have an operator in place to provide services. This puts the City in violation of State regulations for the proper handling and disposal of MSW. The final alternative is that Staff can disregard the recommendations of the Consultant and the evaluation panel and begin negotiations with the other Responder to the RFP for operation, transportation and disposal services. This alternative would be more costly to the City not only in disposal and hauling costs, but also in the costs associated if the City would ever want to terminate the contract.

The recommended alternative is to authorize the City Manager and Administration to proceed with a service contract with Waste Industries, LLC. Staff feels that Waste Industries, LLC offers the City the best options for constructing a new transfer station and to provide operations, transportation and disposal services.

Financial Impact

The initial term of the contract will be for a period of ten years, and at the sole discretion of the City, the Contract may be renewed for two additional terms of five years each. The initial cost of the ten-year contract is approximately \$52,635,810. Fees shall remain the same through the first Contract-Year. Effective July 1, 2014 and July 1 of each contract-year thereafter, adjustments to the Load Fees, Transportation Fees and Disposal Fees will be made based upon CPI change reflected in the Lower Atlantic (PADD 1C) No. 2 Diesel, All Types, Retail Price (dollars per gallon) as outline in Exhibit D of the Contract.

The rates outlined in the table below are used to calculate payment to the Contractor throughout the term of the Contract*.

Material Type	Load Fees (per Ton)	Transportation Fees (per Ton)	Disposal Fees (per Ton)	Total (per Ton)
Solid Waste	\$5.65	\$17.20	\$13.97	\$36.82
Recyclables	\$3.60	\$13.86	NA	\$17.46

*Per ton fees do not reflect CPI adjustments

Comparatively, the cost per ton under the current contract is \$44.15; the cost per ton proposed by the other responder is \$41.00.

SDBE Requirements

The Equal Opportunity/Equity Assurance Department reviewed the proposal submitted by Waste Industries, LLC of Raleigh, North Carolina and have determined that they are in compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.

SDBE REQUIREMENTS

No M/SDBE or W/SDBE goals were set.

WORKFORCE STATISTICS

Workforce statistics for Waste Industries, LLC are as follows:

Total Workfo	74	
Total	7	
Females		(9%)
Total Males	67	
		(91%)
Black Males	46	(62%)
White	19	(26%)
Males		
Other Males	2	(3%)
Black	2	(3%)
Females		
White	5	(6%)
Females		
Other	0	(0%)
Females		