RFP Writing for Municipal Solid Waste & Recycling Professionals – Minimizing Risk, Maximizing Rewards

Presented By:
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Gershman, Brickner & Bratton, Inc.
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Lori Scozzafava

“I’m a passionate advocate for environmental issues — including sustainability, waste reduction, recycling, composting and integrated waste management — while being focused on the triple bottom line: people, planet and profits.”

— Lori Scozzafava, Vice President, Operations Officer
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GBB
Quality – Value – Ethics – Results
Founded in 1980
GBB’s Waste Consulting Services

- Procurements
- Economic, technical and environmental reviews
- Due diligence third-party reviews
- Waste characterization and sourcing
- Process planning and conceptual designs
- Independent feasibility consultant
What will be Covered

• Challenges of Procurement
• Proposals vs. Bids
• Minimizing Risk
• Maximizing Reward
• Win-Win Objective
THE CHALLENGE OF PROCUREMENTS
A Balancing Act

Risk

Reward
Balancing Act

- Bids vs. proposals
- Scope of work: clear, detailed
- Term: the longer the better
- Indemnification provisions: reasonable
- Protection for conditions/events outside of contractor’s control
- Bonding
  - Based on economic impact of failure/defaut
Balancing Act

• Requirements that could reduce contractor’s revenues/profits or increase its risks/costs
  – MWBE participation
  – Termination for convenience
  – Performance security, insurance, penalties and damages
  – Contract subject to annual appropriation
Balancing Act

• Cost adjustments
  – Escalators for variable costs
  – Credits for value of recyclables

• Offer carrots for good performance:
  – Efficiencies
  – Cost savings
  – Increased revenues
  – Complaint management
  – Residue/Contaminants
Procurement Challenges

• Not clerical – strategic
• Many RFPs are combinations of old documents
• When the RFP seeks to implement a new idea, program, or policy, this is even more problematic
• Well developed document will receive serious proposals
Guiding Principles

- Effective
- Competitive
- Clear
- Fair
- Legal
- Responsive
- Transparent
When RFPs are incomplete and inconsistent, they lack a cohesive picture for proposers to understand and respond to.
RFP VS. RFB DECISION MAKING
Types of Procurements

• Evaluate the Pros / Cons of each
  – Request for an Expression of Interest (RFEI)
  – Request for Qualifications (RFQ)
  – Request for Proposals (RFP)
  – Request for Bid (RFB)
  – Design Build (DO)
  – Design Build Operate (DBO)
  – Design Build Own and Operate (BOO)

• Procurement approach should be confirmed by Purchasing and Legal Dept.
Major Differences?

• Bids
  – You know what you want
  – Buying a known commodity
  – Dictate the contract terms

• Proposals
  – Evaluating Options
  – Looking for New Approaches
  – Open to Contract Negotiating
Collection System Options

Options to consider in the RFP decision-making process for collection service

• Types of collection vehicles
  – Automated, semi-automated, manual collection
• Recycling – dual stream, single stream, drop off
• Organics – yard waste and/or food waste
• Various forms of Pay As You Throw (PAYT) systems
Collection System Options

Options to consider in the RFP decision-making process for collection service

- Bulky collection
- Limited vs. unlimited collection
- Commodity markets and revenue sharing
- Bundled vs. unbundled procurement
- Effects of contract lengths on pricing
- Billing options
MAXIMIZING REWARD
Driving Down Costs

• Unbundling collection, processing, and disposal

• Revenue sharing for recyclables

• Where applicable, collecting container redemption value and deposits for containers processed at the MRF

• 7 to 10 year minimum based contract term
Value of Recyclables in One Ton of Curbside Materials Sold to Markets

<table>
<thead>
<tr>
<th>Year</th>
<th>$ per Ton Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>$40.00</td>
</tr>
<tr>
<td>1995</td>
<td>$104.00</td>
</tr>
<tr>
<td>1998</td>
<td>$48.00</td>
</tr>
<tr>
<td>2005</td>
<td>$85.00</td>
</tr>
<tr>
<td>2008</td>
<td>$150.00</td>
</tr>
<tr>
<td>2009</td>
<td>$60.00</td>
</tr>
<tr>
<td>2010</td>
<td>$145.00</td>
</tr>
<tr>
<td>2015</td>
<td>$80.00</td>
</tr>
</tbody>
</table>
Driving Down Costs

• Use technology
  – Trucks
  – Computerized routing
  – Asset management
  – Customer service

• Closed market contracting

• Economies of scale

• Include money in service contract for public education
Truck Procurement Issues

- Spare parts supply
- Parts on consignment
- Long-term maintenance agreements
- Warranty work by yourself
- Training
- Bumper to bumper guarantee
- Truck graphics and design
- Age of Vehicles
Processing Procurement Issues

• Public vs. private ownership
  – Is there locally available capacity?
  – Can public ownership be implemented in a timely manner?

• Dealing with contaminants/residue in/out of MRF

• Monitoring to assure condition of facility is kept up to a standard of care, especially when owned by public sector
MINIMIZING RISK
Recognize Reducing Risk May Mean Relinquishing Control
## Shifting the Risk Burden

### Risk Assignment under Alternative Procurement Approaches

Source: Maui County Integrated Solid Waste Management Plan; February 2009.

<table>
<thead>
<tr>
<th>Risk Element</th>
<th>A/E Procurement</th>
<th>Turnkey Procurement</th>
<th>Full-Service Procurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital costs overrun</td>
<td>Owner</td>
<td>Contractor</td>
<td>Contractor</td>
</tr>
<tr>
<td>Additional capital investment to achieve required operating performance</td>
<td>Owner</td>
<td>Contractor</td>
<td>Contractor</td>
</tr>
<tr>
<td>Additional facility requirements due to new state or federal legislation</td>
<td>Owner</td>
<td>Owner</td>
<td>Owner</td>
</tr>
<tr>
<td>Delays in project completion which lead to delays in revenue flow and adverse effect of inflation</td>
<td>Owner</td>
<td>Contractor</td>
<td>Contractor</td>
</tr>
<tr>
<td>Facility technical failure</td>
<td>Owner</td>
<td>Owner</td>
<td>Contractor</td>
</tr>
<tr>
<td>Excessive facility downtime</td>
<td>Owner</td>
<td>Owner</td>
<td>Contractor</td>
</tr>
<tr>
<td>Underestimation of facility G&amp;M requirements (labor, materials, etc.)</td>
<td>Owner</td>
<td>Owner</td>
<td>Contractor</td>
</tr>
<tr>
<td>Insufficient solid waste stream</td>
<td>Owner</td>
<td>Owner/ Municipalities</td>
<td>Municipalities</td>
</tr>
<tr>
<td>Significant changes in the solid waste composition</td>
<td>Owner</td>
<td>Owner</td>
<td>Owner/ Contractor</td>
</tr>
<tr>
<td>Changes in state and federal legislation which affect facility operations</td>
<td>Owner</td>
<td>Owner</td>
<td>Owner</td>
</tr>
<tr>
<td>Inadequate facility management</td>
<td>Owner</td>
<td>Owner</td>
<td>Owner/ Contractor</td>
</tr>
<tr>
<td>Underestimation of residue disposal costs</td>
<td>Owner</td>
<td>Owner</td>
<td>Owner/ Contractor</td>
</tr>
<tr>
<td>Overestimation of energy recovery efficiency of technology</td>
<td>Owner</td>
<td>Contractor</td>
<td>Contractor</td>
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<tr>
<td>Significant change in solid waste composition</td>
<td>Owner</td>
<td>Contractor</td>
<td>Contractor</td>
</tr>
<tr>
<td>Changes in legislation which affect energy production and/or use</td>
<td>Owner</td>
<td>Owner</td>
<td>Owner</td>
</tr>
<tr>
<td>Overestimation of solid waste quantities</td>
<td>Owner</td>
<td>Owner</td>
<td>Municipalties</td>
</tr>
<tr>
<td>Significant adverse changes in the market</td>
<td>Owner</td>
<td>Owner</td>
<td>Owner/ Market</td>
</tr>
<tr>
<td>Downward fluctuation in the price of products</td>
<td>Owner</td>
<td>Owner</td>
<td>Owner/ Contractor</td>
</tr>
<tr>
<td>Inability to meet energy market specifications</td>
<td>Owner</td>
<td>Owner</td>
<td>Owner/ Contractor</td>
</tr>
<tr>
<td><strong>Recovery Product Income Risks</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversion of waste to other competing facilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overestimation of the solid waste stream</td>
<td>Owner/ Municipalities</td>
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</tr>
<tr>
<td>Adverse changes in participating communities’ fiscal condition</td>
<td>Owner/ Municipalities</td>
<td>Owner/ Municipalities</td>
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</tr>
</tbody>
</table>

1 Modified turnkey procurements may provide for intermediate or long-term contractor facility operations, which could lead to further risk assumption by the private contractor.
Contractor Risk - Service Fee Formula

- SF = DS* + OM + PT - RPC + OPB, where
- SF = Service Fee
- DS = Debt Service*
- OM = Operation and Maintenance Expense (including Equipment Replacement Fund contribution)
- PT = Pass Through Costs
- RPC = Recovered Products Credit (sharing of revenue often applied)
- OPB = Other Payments Balance
- OM = Labor + Benefits + Parts and Supplies + Equipment Replacement + Office Supplies + Communications + Delivery + Outside Contractors + Leased Equipment + Disposal Charges + Insurance/Bonding + Management Fee + Return on Equity ** + Risk Factor
  - * If privately owned/operated
  - ** Risk Factor
Procurement Best Practices

- Transparent process
- Taking the time to plan
- Unbundling services
- Clearly defined scope
- One size doesn’t fit all
- Contract length
- Introducing competition
- Aesthetics

- Community involvement & buy-in
- Revenue sharing
- Closed collection markets
- Maintenance contracts
- Combining with other communities
Establish a Sound Procurement Process

- Plan
- Construct
- Distribute
- Evaluate / Award
- Monitor / Assess
PLAN

Taking the time to plan reduces the time to create, process, and manage the RFP, and ultimately improves results.
Do Your Homework

• Start with the end in mind
• Assess market conditions
• Understand the questions and risks and take the time to gather and provide data
• Consider outside expertise if necessary
• Compare current programs vs. market trends
• Consider all types of procurements
• Set a realistic timeline – it takes time
Evaluate & Find Needed Expertise

• Create your Team
  – Technical, financial, legal and other necessary skill sets
  – Evaluation team
• Analyze your team strengths and expertise
• Levels of outside support
  – Overview and guidance
  – Complete process
Current Programs vs. Market Trends

• Review current system
  – What is going right, what changes are needed
• Explore and gain knowledge of latest industry trends
• Model best cost option for your community
• Consider community influencing factors
Dialogue with Proposers

• The pre-bid/pre-proposal meeting
• Understand concerns (concern = risk = Higher Prices)
• Identify and eliminate conflicts
• Be clear on your priorities and evaluation criteria
• Seek partnership
• Provide additional information and data as necessary
Realistic Timeline

• Prevents the procurement process from dragging on
• Work backwards from desired service start
  – Keep in Mind
    • Start date
    • Award date
    • Review, Selection and Negotiation Period
    • Due Date
    • Question Period
    • Pre-bid/proposal meeting
    • Advertise / Issue RFP
    • Procurement Planning
Document Construction

Proper document preparation will save time and money in the long run.
Document

• Provide a structured format for vendors to present capabilities, costs and expectations
  – It will become the foundation for the contract agreement
• Provide background information and a clear scope of services
• Define evaluation criteria
• Use standardized language:
  – Bond, insurance, business/implementation plan, price adjustments, term, equipment, technology, service standards, etc.
DISTRIBUTE

Extend your reach by utilizing networks and publications.
Distribute = Competition

• Advertise
  – Ads
  – Press Releases
  – Publications
  – Contacts
  – Social Media

• Ask others who you should or send to
  – Look in backyard, near by, and other leaders in the industry (locals, majors, new entrants)
Evaluate and Award

Tell contractors up-front how the winning bidder will be selected.
Evaluate and Award

• Establish an evaluation team
• Quantitative and qualitative factors for evaluations and decisions
• Know your priorities, must-haves, and nice-to-haves
• Review and score
• Interview
• Award
Administer and Assess

Work with your contractor to reduce costs or increase revenue and share in rewards.
Administer / Assess

• Annually assess the contractor(s)
• Insist on adherence to the contract
  – Reports, updating of bonds, insurance certificates
• Develop quantitative metrics to measure performance
• Seek to renegotiate, if appropriate
WIN-WIN OBJECTIVE
Ultimate Objectives:

• Contractor makes a fair, reasonable profit
• Risks are allocated fairly and therefore more easily managed
• Municipality has reasonable pricing and sufficient protections
• Both parties walk away from contract signing feeling good about the deal
• More recycling for less
Questions and comments?

Thank you!

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