


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

Presented By:
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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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Image Source: GBB

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



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What will be Covered

- Challenges of Procurement
- Proposals vs. Bids
- Minimizing Risk
- Maximizing Reward
- Win-Win Objective



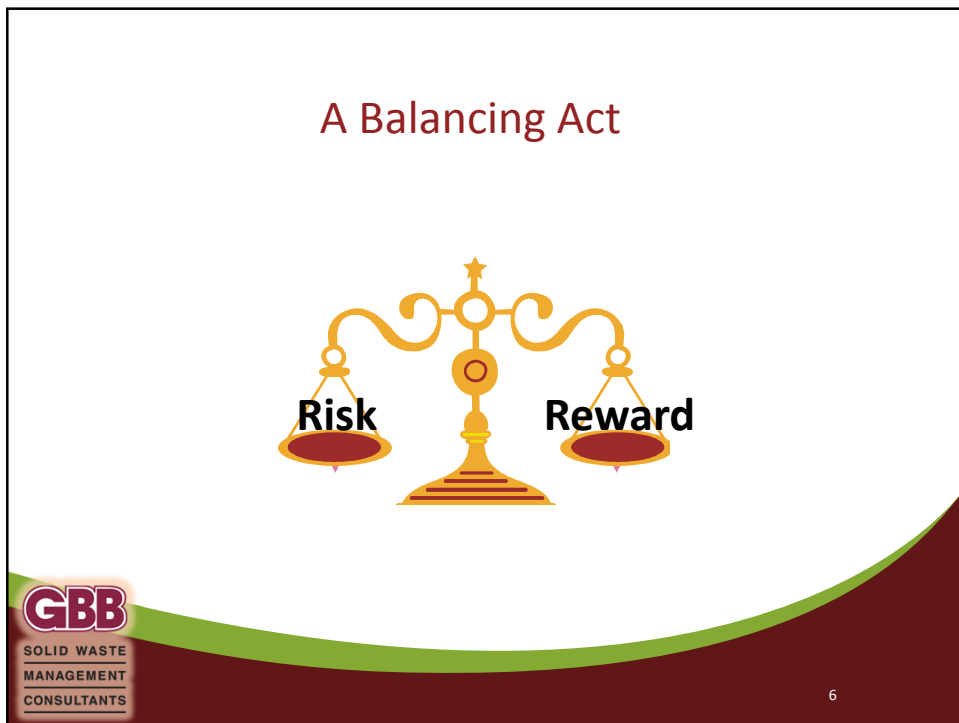
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THE CHALLENGE OF PROCUREMENTS



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A Balancing Act



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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/default



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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



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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



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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



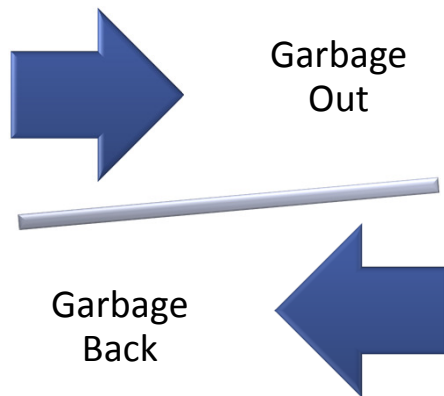
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Guiding Principles

- Effective
- Competitive
- Clear
- Fair
- Legal
- Responsive
- Transparent



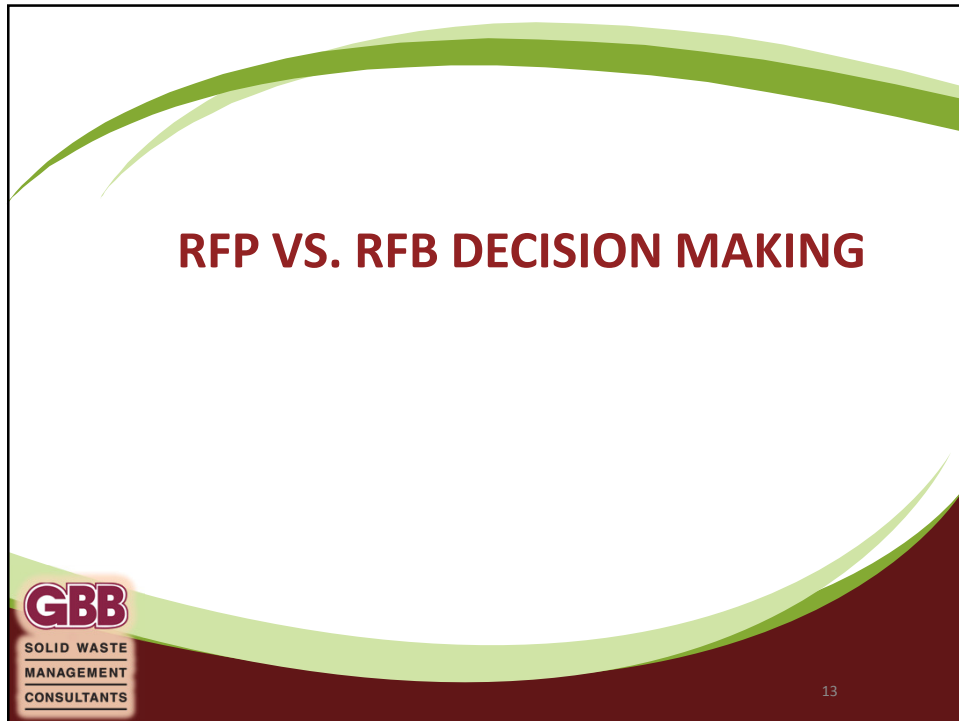
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When RFPs are incomplete and inconsistent, they lack a cohesive picture for proposers to understand and respond to



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RFP VS. RFB DECISION MAKING



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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.



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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



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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



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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



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MAXIMIZING REWARD



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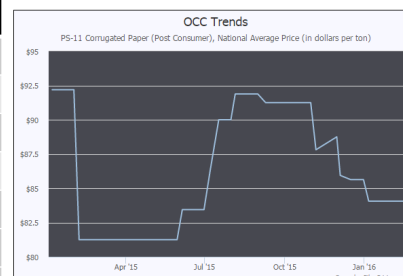
Driving Down Costs

- 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



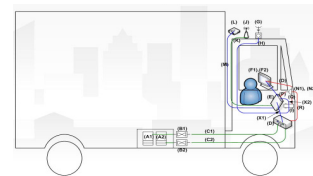
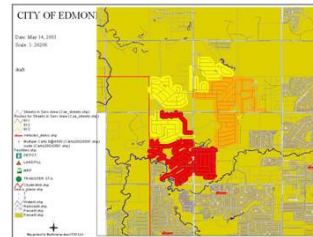
Value of Recyclables in One Ton of Curbside Materials Sold to Markets

Year	\$ per Ton Equivalent
1994	\$40.00
1995	\$104.00
1998	\$48.00
2005	\$85.00
2008	\$150.00
2009	\$60.00
2010	\$145.00
2015	\$80.00



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



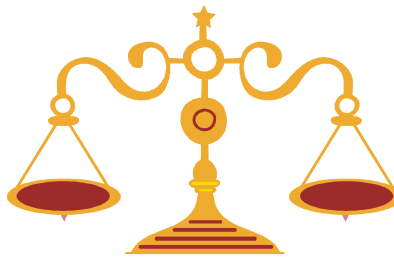
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MINIMIZING RISK



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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 13-1 - Risk Assignment under Alternative Procurement Approaches

Risk Element	Risk Assumed By		
	A/E Procurement	Turnkey Procurement	Full-Service Procurement
Capital Cost Risks			
Capital costs overruns	Owner	Contractor	Contractor
Additional capital investment to achieve required operating performance	Owner	Contractor	Contractor
Additional facility requirements due to new state or federal legislation	Owner	Owner	Owner
Delays in project completion which lead to delays in revenue flow and adverse effect of inflation	Owner	Contractor	Contractor
Operation and Maintenance Costs Risks			
Facility technical failure	Owner	Contractor	Contractor
Excessive facility downtime	Owner	Owner ¹	Contractor
Underestimation of facility O&M requirements (labor, materials, etc.)	Owner	Owner ¹	Contractor
Insufficient solid waste stream	Owner	Owner/ Municipalities	Municipalities
Significant changes in the solid waste composition	Owner	Owner	Owner/ Contractor
Changes in state and federal legislation which affect facility operations	Owner	Owner	Owner
Inadequate facility management	Owner	Owner ¹	Contractor
Underestimation of residue disposal costs	Owner	Owner ¹	Contractor
Recovered Product Income Risks			
Overestimation of energy recovery efficiency of technology	Owner	Contractor	Contractor
Significant change in solid waste composition	Owner	Contractor	Owner/ Contractor
Changes in legislation which affect energy production and/or use	Owner	Owner	Owner
Overestimation of solid waste quantities	Owner	Owner	Municipalities
Significant adverse changes in the market financial condition or local commitment	Owner	Owner	Owner/ Market
Downward fluctuation in the price of products	Owner	Owner	Owner
Inability to meet energy market specifications	Owner	Owner	Contractor
Tipping Fee Income Risks			
Diversion of waste to other competing facilities	Municipalities	Municipalities	Municipalities
Overestimation of the solid waste stream	Owner/ Municipalities	Owner/ Municipalities	Owner/ Municipalities
Adverse changes in participating communities' fiscal condition	Owner	Owner	Owner

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



Understand the Contractor's Position

Contractor Risk - Service Fee Formula

- $SF = DS^* + OM + PT - RPC \pm OPB$, 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



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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



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Establish a Sound Procurement Process

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



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PLAN

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



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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



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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



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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



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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



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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



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Document Construction

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



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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.



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DISTRIBUTE

Extend your reach by utilizing networks and publications.



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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)



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Evaluate and Award

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



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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



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Administer and Assess

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



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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



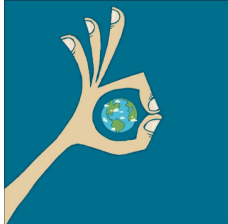
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WIN-WIN OBJECTIVE



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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



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Questions and comments?

Thank you!

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