



NAPA-VALLEJO WASTE
MANAGEMENT AUTHORITY

MEMORANDUM

April 26, 2013

To: NVWMA Board Members

From: Richard Luthy
Executive Director

Subject: Disposal RFP Staff Review and Recommendation

Executive Summary

As you are aware, the Authority's current disposal contract with Keller Canyon Landfill expires on December 31, 2013. In anticipation of the need for a new contract, the Authority issued a Request for Proposals (RFP) for Long-Term Residue Disposal and ADC Capacity Services on January 7, 2013. A mandatory pre-proposal meeting on February 1, 2013 was attended by four firms that own/operate legally permitted disposal sites. Of those four firms, three submitted proposals by the March 15, 2013 submittal deadline. The fourth firm sent a letter indicating that they chose not to submit.

The proposal evaluation team, consisting of staff and outside experts, reviewed the proposals and determined that all three proposals meet the requirements of the RFP, and that all three firms are qualified to provide the requested services to the Authority. In addition, the Authority contracted with Vence Consulting, a firm with extensive expertise in solid waste, to provide a due-diligence review of available capacity and regulatory compliance at each of the three sites. That analysis is attached. Financial information submitted by each of the firms was reviewed by Napa County's Assistant Auditor-Controller, Robert Minahen. Mr. Minahen advised the Authority that all three firms appear to be financially capable of meeting the Authority's needs. Authority Counsel, Robert Paul, was requested to provide an overview of issues related to liability, a copy his memorandum on the subject is attached as a separate document.

Each proposing firm submitted disposal cost quotations for both municipal solid waste (MSW) and alternative daily cover (ADC) for the period 2014 through 2018. Those costs were combined with estimates of transportation costs during that period to determine total costs to the Authority for each of the three proposals. Transportation costs were based on hauling price quotations provided by the trucking firm currently hauling for the Authority. The Authority's detailed total cost calculation spreadsheets for each firm were submitted to that firm for review of accuracy and assumptions before they were finalized. The following table summarizes the final cost analysis for the three potential disposal sites:

TOTAL DISPOSAL COSTS¹

<u>Year</u>	<u>Keller Canyon</u>	<u>Potrero Hills</u>	<u>Hay Road</u>
2014	\$6,268,000	\$4,685,000	\$5,190,000
2015	\$6,516,000	\$4,948,000	\$5,340,000
2016	\$6,773,000	\$5,140,000	\$5,497,000
2017	\$7,041,000	\$5,338,000	\$5,726,000
2018	\$7,321,000	\$5,547,000	\$5,964,000
5- Year Total	\$33,919,000	\$25,658,000	\$27,718,000
Net Present Value (Cost in Today's Dollars)	\$30,997,000	\$23,444,000	\$25,336,000

1) Cost estimates are rounded to the nearest \$1,000.

Because all three sites are believed to meet the needs of the Authority, staff is recommending that the Board of Directors authorize negotiation of a disposal contract with the lowest cost site, Potrero Hills Landfill (Waste Connections, Inc.). That contract would then be brought to the Board at a subsequent meeting for final consideration and approval.

Background

When the Authority stopped using rail hauling for disposal in the late 1990's, MSW and ADC from the Devlin Road Transfer Station (DRTS) started being hauled by truck to Keller Canyon Landfill for disposal. In recent years, changes in the economy, increasing fuel costs and increases in bridge tolls have changed the competitive landscape for Bay Area disposal sites. In 2012, the then-current five-year contract with Keller Canyon was due to expire. Under direction from the Board, staff informally explored disposal site alternatives and held discussions with Keller Canyon Landfill aimed at reducing disposal costs at that site. The Board of Directors ultimately accepted a proposal from Keller Canyon for an 18-month contract extension (to December 31, 2013) which incorporated lower disposal costs. The Board also directed staff to take the necessary steps to solicit competitive proposals for disposal services beyond December 31, 2013.

Staff and consultants began work on an RFP and Disposal Agreement last fall. Drafts of both the RFP and the Agreement were distributed to landfill sites likely to be interested in serving the Authority. Those potential sites were asked to review the documents and comment on any items which, from their perspective, needed to be modified to ensure fair competition, practical application and legal acceptability. Comments submitted by reviewers were considered and, where appropriate, incorporated as changes to the draft RFP and Agreement. The final RFP and Agreement were completed and issued on January 7, 2013.

The Authority's consultant obtained contact information for large disposal sites in the Greater Bay Area, Yolo County and Sacramento and those sites were notified of the availability of the RFP. Sites that expressed interest were sent electronic copies of the documents.

A mandatory pre-proposal meeting was held on February 1, 2013 at the DRTS. In addition to members of the evaluation team, the meeting was attended by representatives of four Bay Area landfill site owner/operators: Recology (Hay Road), Republic Services (Keller Canyon), Waste Connections (Potrero Hills) and Waste Management (Redwood Landfill). At that meeting, potential proposers were allowed to ask questions about the proposal process. Although there were few questions, those that were asked focused on how the proposals would be evaluated. Attendees were advised that each site would be evaluated on a pass/fail basis for ability to meet each of the Authority's requirements for the contract term. Proposals that passed this phase of the review would be further evaluated on the basis of total cost to the Authority, including transportation, over the contract term.

Meeting attendees were encouraged to send follow-up emails with their questions, and the Authority did receive a significant number of questions, which indicated that the RFP and Agreement were being studied carefully by potential proposers. On February 15, 2013, questions submitted by individual firms were compiled, answered by the Authority and sent by email to all of the representatives who attended the pre-proposal meeting.

On or before the March 15, 2013 submittal deadline, the Authority received proposals from Recology, Republic Services and Waste Connections. Waste Management sent a letter indicating that they would not be submitting a proposal.

The Authority's proposal evaluation team consisted of the following individuals:

Richard Luthy
NVWMA Executive Director

Trent Cave
Solid Waste Consultant &
Former NVWMA Manager

Thomas Vence
Vence Consulting
Solid Waste Consultant

Steven Lederer
Director of Public Works
Napa County

Robert Paul
Authority Legal Counsel

Robert Minahen, Assistant Auditor-Controller for Napa County, supported the evaluation team by reviewing financial information submitted by the three firms.

Members of the evaluation team were asked to review the proposals and make independent determinations of whether or not the disposal sites complied with requirements of the Authority as stated in the RFP. The review included:

- Scale House Operations
- Waste Loading and Unloading
- Capacity for the Authority's Waste
- Availability of Alternative Disposal Site
- Recycling and Diversion Programs
- Staff Responsibilities
- Company Qualifications
- Litigation History
- Environmental/Permit Compliance
- Financial Background
- Financial Stability
- Acceptance of Contract Terms
- Exceptions to Contract Terms

The evaluation team met in late March to compare their independent reviews. It was the conclusion of the team that all three potential sites met the Authority's requirements. In a subsequent communication, Mr. Minahen reported that all three companies appeared to have the financial resources necessary to meet the needs of the Authority.

Cost Analysis Methodology

After it was determined that all three sites met the Authority's requirements, staff began analyzing the cost implications of each proposal.

One of the major components of overall disposal cost for the Authority is the cost of transporting waste from DRTS to the disposal site. The distance traveled to each site determines how many trucks and trailers are required and how many trips can be made in a working day. The cost of bridge tolls is also a component of transportation costs. The current bridge toll for transfer vehicles is \$25.00. With a nominal 21 ton load, this adds \$1.19 per ton to transportation costs.

In order to have a uniform basis for evaluating transportation costs, the Authority requested the DRTS operator, Northern Recycling Operations and Waste Services (NROWS), to request hauling bids for each potential disposal site from the current transfer trucking firm, Tiger Lines. The bids received from Tiger Lines were used to determine the transportation component of each site's total disposal cost. In view of the fact that we only obtained a transportation bid from one trucking firm, and bids from other firms might be higher or lower, the transportation cost for each site was calculated for a range of costs from 8% above to 8% below the bids from Tiger Lines. Therefore, total disposal costs were based on an expected range of transportation costs, rather than a fixed number.

Another factor impacting transportation costs is the type of trailer used to haul waste from DRTS to the disposal site. Typically, two types of trailers are available: those which contain a mechanism for self unloading, and those that require a "tipper" at the disposal site for unloading. These trailer types are often called "walking floor" and "possum belly," respectively. Because of the added weight of their self-unloading mechanism, walking floor trailers carry a smaller payload than possum belly trailers. This

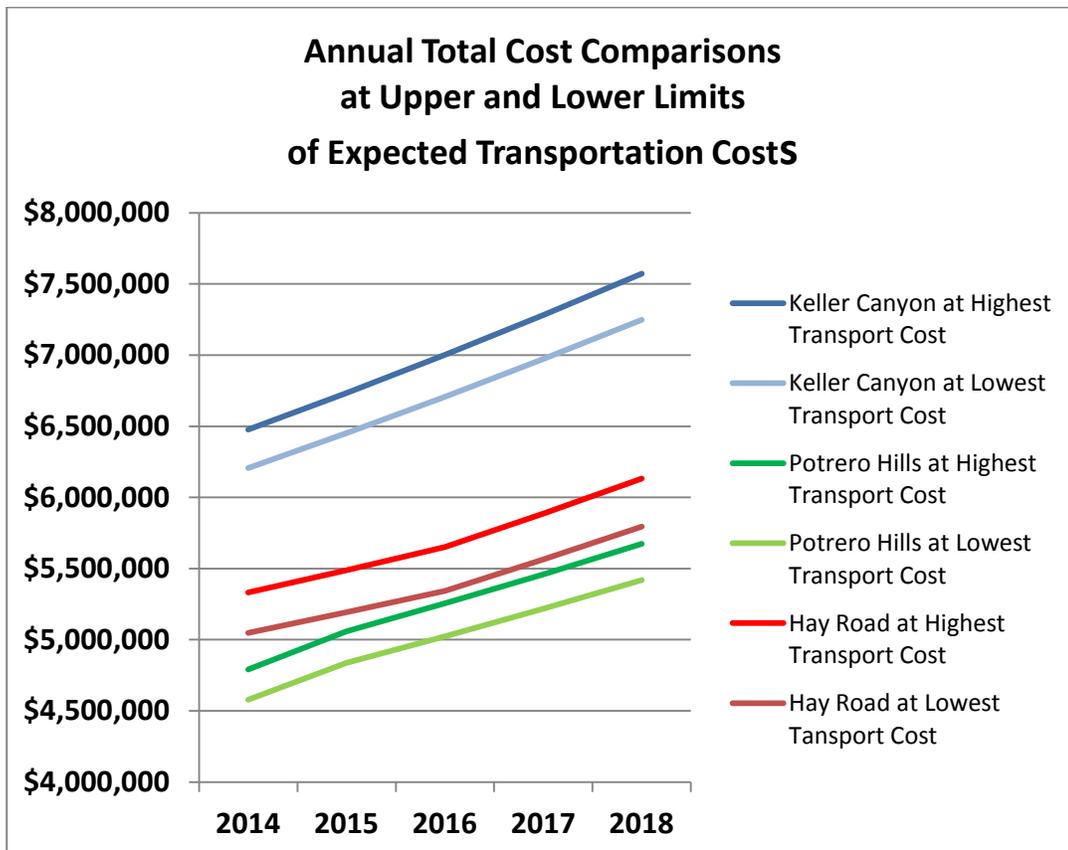
impacts how many trips are needed to dispose of a given tonnage of waste. For purposes of the cost analysis walking floor trailers were assumed to carry a 21 ton payload, and possum belly trailers were assumed to carry 23 tons. These assumptions were consistent with the assumptions used by Tiger Lines in their bids.

Ultimately, it was determined that all three disposal sites were willing to make tippers available to the Authority’s vehicles for both MSW and ADC. As a result, final cost comparisons were based on use of the higher payload possum belly trailers.

The disposal cost analysis was based on the bids submitted for the initial five year contract. Each firm had a different approach to evaluating costs after the first five years, if the contract were to be extended, so it was not possible to do a meaningful comparison beyond five years. In addition, some proposals contained “possible” enhancements that were speculative and could not be reliably quantified, so they were not considered. For example, one site proposed that it share a proportional amount of its revenue from a planned waste to energy plant. Since the plant isn’t yet operational, it was not practical to consider how much revenue might be generated.

Results of Cost Analysis

The graph below summarizes the results of the total cost analyses for all three sites at the highest and lowest expected transportation costs.



Potrero Hills Landfill emerged as the lowest cost site, followed by Hay Road and Keller Canyon. Using the midpoint of expected transportation costs, total annual costs at each site are projected as follows:

<u>Year</u>	<u>Keller Canyon</u>	<u>Potrero Hills</u>	<u>Hay Road</u>
2014	\$6,268,000	\$4,685,000	\$5,190,000
2015	\$6,516,000	\$4,948,000	\$5,340,000
2016	\$6,773,000	\$5,140,000	\$5,497,000
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The following table summarizes disposal costs only, and illustrates the impact that haul distances have on total costs to the Authority. Although Hay Road landfill offers slightly lower annual disposal costs, it requires a 32 mile haul (one way) versus a 19 mile haul to Potrero Hills, resulting in higher transportation costs.

<u>Year</u>	<u>Keller Canyon</u>	<u>Potrero Hills</u>	<u>Hay Road</u>
2014	\$4,654,000	\$3,360,000	\$3,426,000
2015	\$4,829,000	\$3,563,000	\$3,496,000
2016	\$5,010,000	\$3,691,000	\$3,569,000
2017	\$5,198,000	\$3,824,000	\$3,710,000
2018	\$5,394,000	\$3,964,000	\$3,857,000
Total	\$25,084,000	\$18,402,000	\$18,058,000
NPV	\$22,925,000	\$16,816,000	\$16,511,000

Because assumptions can affect the outcome of any analysis it is important point out that the following assumptions were used for all the cost analyses:

- Annual Tonnages of MSW and ADC increase by 1.5 percent per year.
- Transportation costs escalate at 3 percent per year due to fuel price increases.
- Pass-through costs do not increase (unless otherwise stated in proposal).
- Large capacity “possum belly” trailers used for both MSW and ADC.
- Net Present Value calculated at 3 percent interest rate.

Since the assumptions apply equally to each of the sites, changing any of these assumptions would not impact the relative ranking of the sites' total disposal costs.

Recommendation

Based on review of proposals submitted by the three potential disposal sites, staff believes the interests of the Authority would be best served by entering into a contract with Potrero Hills Landfill for disposal of the Authority's waste for the period from January 1, 2014 through December 31, 2018. It is recommended that the Board of Directors direct staff work with Potrero Hills to assemble final contract documents for the Board's consideration and adoption at a subsequent meeting.