September 28, 2012

TO: Denise T. Roth, City Manager

FROM: Dale Wyrick, P.E., Field Operations Director

SUBJECT: Update on Vendor Selection for RFP #11-12: Processing & Marketing of Recovered Recyclables

The purpose of this memo is to provide responses to items raised by Council and staff as a result of the Recycling RFP presentation and vendor discussion at the September 10, 2012 City Council Work Session. There were several statements made at the work session by representatives of ReCommunity and Waste Management that staff believes were inconsistent with answers provided or statements made in their respective interviews held on August 31, 2012.

Both Waste Management and ReCommunity were asked an additional series of questions to clarify those points. The questions posed to the vendors and their answers are provided as attachments 1 and 2 to this memo. Those responses had a direct impact on the answers to the Council’s questions, which are answered below:


Staff was able to identify contract amounts paid to ReCommunity (FCR Greensboro) from 1993 through July, 2012. Costs associated with this contract are as follows:

<table>
<thead>
<tr>
<th>Gross Contract Costs</th>
<th>Revenue from Sale of Materials</th>
<th>Net Contract Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 33,068,286</td>
<td>$ 10,598,985</td>
<td>$ 22,469,301</td>
</tr>
</tbody>
</table>
2. Councilmember Vaughan requested firm numbers on what the proposed revenue would be to the City between the award of a contract now and April 1, 2013.

For the purposes of estimating revenues (or costs) for a five month period (November 1, 2012 through March 31, 2013), HDR Engineering modeled three possible scenarios that the City could choose as a next step in the vendor selection process. The complete answer to this question can be found in the attached HDR analysis dated September 28, 2012 under the heading of *Contract Start Time & Costs* (page 3).

3. Mayor Perkins asked if ReCommunity would consider a three year contract.

ReCommunity’s response to this question was that its best and final offer is valid for a five or 10 year contract.

4. Councilmember Hoffman asked for confirmation on whether ReCommunity could initiate a new contract before April 1, 2013.

ReCommunity indicated that it would be able to initiate a new contract before April 1, 2013 without penalty to the City.

The complete question and response from ReCommunity’s September 19 letter is as follows (ReCommunity’s answers in bold):

2. In the interview on 8/31, you stated that your proposal was based on a contract start date of 4/1/13 (immediately following the expiration of ReCommunity’s current contract). In the Council Work Session on 9/10, ReCommunity indicated willingness to discuss issues related to the contract start date.

(a) If awarded this contract by the City, would ReCommunity be willing initiate some or all of the new contract terms before 4/1/13 and waive the early termination fee to the city? Please indicate the earliest date the following would be implemented:

*If awarded, ReCommunity will allow the City to start the new pricing terms with no penalty to exit the old contract. New pricing will begin the first day of the month immediately after the contract is signed by ReCommunity and the City.*

(b) Accept all new commodities now (additional plastics, etc.)?

*We are prepared to immediately accept more recycled materials, including all plastic containers, milk cartons and pizza boxes. We will make the necessary accommodations to ensure these materials are recovered. Also during our retrofit, these materials still will be recovered by the interim processing facility, so no product will be lost.*
(c) Waive current processing fees? Or willing to reimburse City from contract award until 4/1/13?

See above answer to (a) which eliminates the need for a response to this question.

(d) Waive current residue disposal costs? Or willing to reimburse City from contract award until 4/1/13?

See above answer to (a) which eliminates the need for a response to this question.

5. Councilmember Vaughan asked for confirmation that the acceptable recyclables for ReCommunity and Waste Management are the same.

Both companies are willing to accept the recyclables identified in the RFP, including:
- Plastic Bottles & Jugs,
- Aluminum & Steel Cans,
- Aerosol Cans,
- Metal pots and pans,
- Newspaper,
- Magazines & Catalogs,
- Office and School Paper,
- Junk Mail,
- Cardboard,
- Chipboard,
- Telephone Books,
- Pizza Boxes,
- Aseptic and Gable Top Containers,
- Glass Containers,
- Rigid Plastic,
- Other materials as mutually agreed to between the City and the company.

6. Mayor Perkins asked for confirmation that the Waste Management’s Winston-Salem facility would receive glass.

Waste Management will accept glass at its Winston-Salem facility.
7. **Councilmember Wade** asked for staff to research whether ReCommunity is the same company as FCR; the date the company was incorporated; and if it was the same company that had done business with the City for the past twenty years.

The following is a response from the City Attorney Mujeeb Shah-Khan:

The City has had a longstanding contract with FCR Greensboro, LLC (formerly FCR Greensboro, Inc.) to handle the City’s recyclables. FCR Greensboro, LLC is a subsidiary of FCR, LLC. (formerly FCR, Inc.)

In March of 2011, FCR, LLC (the parent) was acquired by ReCommunity. FCR Greensboro, LLC still exists as a subsidiary of ReCommunity. However, the City’s contractual relationship is still with FCR Greensboro, LLC. ReCommunity refers to operations like FCR Greensboro, LLC as ReCommunity from a marketing standpoint.

8. **Councilmember Bellamy-Small** asked staff to provide the economic impact should ReCommunity not be awarded the contract.

Assuming the loss of 60 jobs and a $2,000,000 annual payroll, John Shoffner, the City’s Economic Development Manager, estimated the economic impact over five years to be approximately $61,000,000.

Please find the additional attachments 4 through 7 as information from Waste Management, HDR, and ReCommunity pertaining to RFP #11-12.

DDW

**Attachments:**
1. Waste Management Q&A (September 19, 2012 Email)
2. ReCommunity Clarifying Q&A (September 19, 2012 Letter)
3. HDR Best & Final Offer Evaluation Update (September 28, 2012 Letter)
4. Waste Management Letter from Tracey Shrader (September 17, 2012)
5. HDR Response to WM Letter from Tracey Shrader (September 25, 2012)
6. ReCommunity Letter from Jerry White (September 19, 2012)
7. ReCommunity Letter from Jerry White (September 27, 2012)
From: Joseph, Stan [mailto:Joseph5@wm.com]
Sent: Wednesday, September 19, 2012 4:31 PM
To: Readling, Joe
Cc: Wyrick, Dale; Speedling, Michael; Shah-Khan, Mujeeb; Jones, Matthew
Subject: RE: Greensboro RFP #11-12 Additional Questions for Waste Management

Joe,

Waste Management (WM) appreciates the opportunity to submit the following responses to your questions regarding RFP #11-12. In this regard, we will be immediately available to answer any further questions or provide additional information if needed. Thank you.

Questions:

1. It is noted that WM changed its BFO ACR threshold to $73 from $42.15 in the original submittal. Based on revenue share calculation, it appears that the WM BFO is less favorable than the original offer by WM for ACR values up to about $165 per ton. Was that an intentional change? Will WM honor its original revenue share offer?

   A. The BFO change was made with respect to the way ReCommunity was positioned in the original analysis presentation and the emphasis put on both protections to the City and upside advantage in that presentation. By utilizing 10 year commodity projections on Single Stream it is roughly equivalent (though not in the first several years) to the original offer. The intent was to afford the City the best protection possible while balancing a generous share in the up markets.

   B. WM will honor our BFO offer under the stated terms of the RFP response, submitted on 20 August 2012 with no modifications. See below for contract start and term length responses (Questions 3 and 4 respectively).

   C. Additionally, WM will also honor our original proposal under the stated terms submitted on 29 May 2012 in response to RFP #11-12 with no modifications.

2. In the WM clarification e-mail of 9/5/12 and again in the WM presentation to Council, you refer to a WM contribution or subsidy related to Recycle Bank. Your e-mail values this contribution at $0.30 per household, which equates to $288,000 per year based on 80,000 households. If the City is not interested in contracting with Recycle Bank, will WM still provide the $288,000 per year as additional direct payment to the City?

   WM subsidy and investment in RecycleBank was intended to expand the reach of the valuable addition of this rewards program to the City at a steep discount to the established pricing. It cannot be unbundled into a cash contribution.

3. If awarded the contract now, would WM be willing to pay the early termination fee to ReCommunity on behalf of the City of Greensboro without changing the best and final offer?
A. WM cannot comment on the termination fee nor participate in any discussions with the City on them due to legal reasons, no matter how advantageous. The buyout is a contract matter between the City and ReCommunity.

B. If the City and ReCommunity reach an agreement on the existing contract and this coincides with a contract with WM in the next 30 days, we are prepared to delay the start of the contract to coincide with the expiration of your current contract term (April 1, 2013).

4. Would your BFO apply to a 3 year term?

Waste Management is willing to offer our BFO at a 3-Year Term with two 1-Year extension options.

Kind Regards,

Stan L. Joseph
Manager Community & Municipal Relations
South Atlantic Area
(O) 336-531-3285 (C) 336-406-3968 (F)866-276-2632
sjoseph5@wm.com

Think Green.® Think Waste Management
Joseph C. Readling, PE  
HDR  
440 S. Church Street  
Suite 1000  
Charlotte, NC | 28202  
Email: joe.readling@hdrinc.com

Subject: Greensboro RFP #11-12 Additional Questions for ReCommunity

This letter is in response to the email sent by HDR on behalf of the City of Greensboro, dated 9-17-2012. The email asks ReCommunity to respond to the following questions (below) regarding ReCommunity's Best and Final Offer (BFO) proposal submitted August 20, 2012 in response to the City's Processing and Marketing of Recovered Recyclables RFP #11-12.

Questions:

1. In Price Forms 1 & 3, is the $9/ton education/marketing credit a direct payment or a credit to the city that is only to be spent on education and marketing through ReCommunity? Or can it be spent as the City wishes? Please describe how that direct payment would be made. Same question for the $10/ton in Price Forms 2 and 4 for Option 2.

   The $9 or $10 per ton education/marketing credit in Price Forms 1 & 3 or Price forms 2 & 4 for Option 2 is a direct payment to the city for all city recyclables delivered to our facility. To illustrate, we can use $10 per ton at 34,000 tons (a number used by the city) delivered annually. In this scenario, the city receives $340,000 in what we call a marketing credit. In fact, these are real dollars paid to the city to use as they see fit. We recommend the city use these funds in whole or in part to promote and expand the recycling program, because a recycling program grows best with a continuous, supported education component. Contractually, however, the city can use the money as it wishes.

2. In the interview on 8/31, you stated that your proposal was based on a contract start date of 4/1/13 (immediately following the expiration of ReCommunity's current contract). In the Council Work Session on 9/10, ReCommunity indicated willingness to discuss issues related to the contract start date.
(a) If awarded this contract by the City, would ReCommunity be willing initiate some or all of the new contract terms before 4/1/13 and waive the early termination fee to the city? Please indicate the earliest date the following would be implemented:

If awarded, ReCommunity will allow the City to start the new pricing terms with no penalty to exit the old contract. New pricing will begin the first day of the month immediately after the contract is signed by ReCommunity and the City.

(b) Accept all new commodities now (additional plastics, etc.)?

We are prepared to immediately accept more recycled materials, including all plastic containers, milk cartons and pizza boxes. We will make the necessary accommodations to ensure these materials are recovered. Also during our retrofit, these materials still will be recovered by the interim processing facility, so no product will be lost.

(c) Waive current processing fees? Or willing to reimburse City from contract award until 4/1/13?

See above answer to (a) which eliminates the need for a response to this question.

(d) Waive current residue disposal costs? Or willing to reimburse City from contract award until 4/1/13?

See above answer to (a) which eliminates the need for a response to this question.

3. What does ReCommunity believe the termination fee would be if the City notified ReCommunity of pending termination on September 30, 2012 to be made effective November 1, 2012?

If the City selects another vendor and does not make an award to ReCommunity, the original terms of the contract will stand. Based on our interpretation of the contract the schedule buyout effective November 1, 2012 would be $543,037.

4. Would your BFO apply to a 3 year term?

Our best and final offer is valid for a 5 or 10 year contract.

If you have any further question, please feel free to contact us.

Thanks you,

Jerry White  
Southeast Region Manager  
ReCommunity Inc
September 28, 2012

Mr. Dale Wyrick, PE
Field Operations Director
401 Patton Ave.
Greensboro, NC 27406

Re: Greensboro Processing and Marketing of Recovered Recyclables – RFP #11-12
    RFP Best and Final Offer (BFO) Evaluation Documents - UPDATE

Dear Mr. Wyrick:

Attached please find information supporting our review of the Best and Final Offer (BFO) proposals received in response to the City’s RFP #11-12 for Processing and Marketing of Recovered Recyclables. Our evaluation transmitted to you under cover letter dated September 6, 2012, has been updated following receipt of responses to additional questions posed to ReCommunity and Waste Management to help further clarify several issues.

Background

The original proposals in response to RFP #11-12 were received on May 29, 2012. The Greensboro City Council was briefed on the financial offerings of the original proposals at a Council Work Session on July 24, 2012. On August 6, 2012, the City Council directed City staff to accept Best and Final Offers (BFOs) from Waste Management and ReCommunity. The BFOs were received on August 20, 2012. HDR transmitted our evaluation of the BFOs under cover letter dated September 6, 2012 (J. Readding to D. Wyrick). The Greensboro City Council was briefed on our evaluation of the BFOs at a Council Work Session on September 10, 2012. The Council also heard from both proposers at this Work Session and directed City staff to ask the proposers a few more questions to clarify issues about their BFOs. Responses to the questions were received from proposers on September 19, 2012.

ReCommunity: Changes to Our Original BFO Evaluation

After reviewing the responses received from ReCommunity on September 19, 2012, HDR’s original financial evaluation of their BFO did not change. Our evaluation initially assumed a contract start date of April 1, 2013, allowing the current contract to run its course to avoid paying the early termination fee. Based on the clarifications provided by ReCommunity, they have agreed to start the new contract terms (assuming they are awarded the contract) on the first day of month immediately following contract executions. ReCommunity’s agreement to start the terms of the contract early significantly improves the revenue to the City between now and April 1, 2013. This issue is discussed in more detail in later sections of this letter.
Waste Management: Changes to Our Original BFO Evaluation

The Waste Management evaluation of their BFO was adjusted to include consideration of using the revenue share values from their original proposal as described below.

Waste Management’s original proposal did not state an ACR threshold, but $42.15 per ton was used in their required sample calculation. During our initial review, HDR requested written clarification from Waste Management regarding their proposed ACR threshold and, on July 12, 2012, Waste Management confirmed that their intended ACR threshold was in fact $42.15 per ton with a 60% revenue share to the City. As a reminder, the basis of the revenue share calculation is as follows:

\[
(\text{Actual Monthly ACR} - \text{ACR Threshold}) \times \text{Percent Revenue Share} = \text{City Revenue Share}
\]

In Waste Management’s BFO, the ACR threshold was increased to $73 per ton and the revenue share percentage increased to 80%. After reviewing the potential revenue share to the City under these two scenarios, HDR determined that the Waste Management’s original offer of $42.15 and 60% is more favorable to the City for all ACR values up to $165 per ton than the BFO offer of $73 per ton ACR threshold and 80% revenue share. Following is an example that demonstrates this, using the average ACR value of $102 per ton that Greensboro has experienced from 2007 through 2012.

Waste Management original offer: \((102 - 42.15) \times 60\% = 35.91\) to City

Waste Management BFO: \((102 - 73) \times 80\% = 23.20\) to City

In the second example, since the revenue share is less than the floor rate of $25 per ton offered by Waste Management, the City would get $25.00. Even so, the revenue share to the City in Waste Management’s original offer represents a 43% higher payment to the City than their BFO at an assumed ACR of $102 per ton.

Based on this finding, HDR inquired whether Waste Management would honor their original ACR revenue share offer. Waste Management confirmed that they would honor their original May 29, 2012 offer in addition to their BFO offer. Therefore, HDR has revised the financial modeling to include the revenue share scenario from Waste Management’s original proposal as well as that provided in their BFO.

Financial Model Results

The graphs provided at the end of this letter present the BFO evaluation with the original Waste Management offer added for comparison. Please refer to the HDR letter dated September 6, 2012, for the assumptions used to create these graphs. Figure 1 represents the estimated annual net revenue to the City using the revenue share contract terms from ReCommunity (blue), the Waste Management BFO (dark green), and the Waste Management original offer (light green). "Net" means the Waste Management model is burdened with the estimated incremental additional hauling cost. Figure 2 is the same, but for the fixed credit contract terms. Figures 3 and 4 represent the gross revenue potential for the revenue share and fixed credit options.
Contract Start Times & Costs

The contract start time was discussed during the September 10, 2012 Council Work Session. The current contract with ReCommunity expires March 31, 2013. ReCommunity provided the following response to Question 2, which inquired as to an earlier start date for the new contract:

"If awarded, ReCommunity will allow the City to start the new pricing terms with no penalty to exit the old contract. New pricing will begin the first day of the month immediately after the contract is signed by ReCommunity and the City."

Based on this, there are three potential scenarios for the City relative to the contract start date.

1. Select ReCommunity and initiate the new contract terms on November 1, 2012 (the assumed earliest start date of a new contract).
2. Select Waste Management, buy out the ReCommunity contract, and initiate the new contract terms on November 1, 2012.
3. Select Waste Management, allow the ReCommunity contract to run its course, and defer initiation of the new Waste Management contract until April 1, 2013.

HDR modeled the expected revenue earned (numbers in parentheses represent a cost to the City) over the five-month period from November 1, 2012 to April 1, 2013. In order to determine the difference in costs between the respective scenarios, you would need to select an ACR from two scenarios and subtract the difference.

**Scenario 1: Select ReCommunity; new contract terms to begin on November 1, 2012**

In the table below is the estimated amount of money earned in the first five months of a 5-year contract based on varying ACRs if the City chooses ReCommunity as its vendor.

<table>
<thead>
<tr>
<th>5-month ACR</th>
<th>5-Month Net Revenue or (Cost)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ReCommunity Revenue Share</td>
</tr>
<tr>
<td>ACR = $80</td>
<td>$213,000</td>
</tr>
<tr>
<td>ACR = $100</td>
<td>$347,000</td>
</tr>
<tr>
<td>ACR = $120</td>
<td>$535,000</td>
</tr>
<tr>
<td>ACR = $140</td>
<td>$722,000</td>
</tr>
<tr>
<td>ACR = $160</td>
<td>$910,000</td>
</tr>
</tbody>
</table>

**Scenario 2: Select Waste Management; buy out the ReCommunity contract; new contract terms to begin on November 1, 2012**

In the table below is the estimated revenue earned in the first five months of a 5-year contract if the City contracts with Waste Management and buys out the current contract with ReCommunity and chooses
Waste Management as its vendor. The contract start date is November 1, 2012. The buyout cost used is $543,000, as estimated by ReCommunity for the period November 1, 2012 through March 31, 2013.

<table>
<thead>
<tr>
<th>5-month ACR</th>
<th>5-Month Net Revenue or (Cost)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Waste Management Revenue Share (BFO)</td>
<td>Waste Management Fixed Credit</td>
<td>Waste Management Revenue Share (Original Offer)</td>
</tr>
<tr>
<td>ACR = $80</td>
<td>($417,000)</td>
<td>($417,000)</td>
<td>($417,000)</td>
</tr>
<tr>
<td>ACR = $100</td>
<td>($417,000)</td>
<td>($417,000)</td>
<td>($296,000)</td>
</tr>
<tr>
<td>ACR = $120</td>
<td>($259,000)</td>
<td>($417,000)</td>
<td>($145,000)</td>
</tr>
<tr>
<td>ACR = $140</td>
<td>($59,000)</td>
<td>($417,000)</td>
<td>$5,000</td>
</tr>
<tr>
<td>ACR = $160</td>
<td>$141,000</td>
<td>($417,000)</td>
<td>$155,000</td>
</tr>
</tbody>
</table>

Included in the table above is the net revenue generated by the recyclables processed, and one-time credits including the $75,000 education grant offered by WM (in the first month), and $66,000 for solar compactors offered by WM (in the third month), and the one-time cost ($240,000) for buying a truck (in the first month).

**Scenario 3:** Select Waste Management; allow ReCommunity contract to run its course; new contract terms to begin on April 1, 2013

In the table below is the estimated revenue earned in the first five months of a 5-year contract if the City keeps the current contract with ReCommunity through the end of the contract term and chooses Waste Management as its vendor. The contract start date is April 1, 2013.

In this scenario, all Waste Management offers are burdened with the current ReCommunity contract costs paid by the City from November 1, 2012 through March 31, 2013. The shaded column entitled “Current Contract Costs” provides those costs at a specific ACR.

<table>
<thead>
<tr>
<th>5-month ACR</th>
<th>5-Month Net Revenue or (Cost)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current Contract Costs</td>
<td>Waste Management Revenue Share (BFO)</td>
<td>Waste Management Fixed Credit</td>
</tr>
<tr>
<td>ACR = $80</td>
<td>($383,000)</td>
<td>($257,000)</td>
<td>($257,000)</td>
</tr>
<tr>
<td>ACR = $100</td>
<td>($283,000)</td>
<td>($157,000)</td>
<td>($157,000)</td>
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<tr>
<td>ACR = $120</td>
<td>($183,000)</td>
<td>$101,000</td>
<td>($7,000)</td>
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<td>ACR = $140</td>
<td>($83,000)</td>
<td>$401,000</td>
<td>$143,000</td>
</tr>
<tr>
<td>ACR = $160</td>
<td>$17,000</td>
<td>$701,000</td>
<td>$715,000</td>
</tr>
</tbody>
</table>

Included in the WM columns in the table above is the net revenue (or cost) generated by the recyclables processed by ReCommunity from November 1, 2012 through March 31, 2013, and one-time credits including the $75,000 education grant offered by WM (in the first month), and $66,000 for solar compactors offered by WM (in the third month), and the one-time cost ($240,000) for buying a truck (in the first month).
Contract Terms

The contract terms were also discussed during the September 10, 2012, Council Work Session. Based on the September 19, 2012, responses from the proposers ReCommunity is offering 5 and 10-year contract terms and Waste Management is offering 3, 5, and 10-year contract terms. Waste Management indicated they would also offer two 1-year extension options for the 3-year contract term.

Conclusions

Based on review of the Best and Final Offers and the September 19, 2012 responses provided by ReCommunity and Waste Management, HDR finds that the ReCommunity proposal continues to provide greater net revenue potential to the City for all scenarios modeled. Additionally, with ReCommunity’s agreement to start the new pricing terms with no penalty for exiting the old contract, the revenue differential to the City between November 1, 2012 and March 31, 2013 is significantly greater than either Waste Management scenarios which would require the City to either pay an early termination fee to ReCommunity, or honor the less favorable terms of the current ReCommunity contract through its current expiration date.

If you have any questions regarding this information, please feel free to contact me.

Respectfully submitted,

HDR Engineering, Inc. of the Carolinas

Joseph Readling, PE, VP
Figure 1 Annualized Net Revenue Estimate for a 5 Year Revenue Share Contract

Average Annual Tonnage Rate = 32,000 tpy

*Annual Revenue is in Net Present Value and hauling has been considered.
Figure 2 Annualized Net Revenue Estimate for a 5 Year Fixed Credit based on ACR Range Contract

*Annual Revenue is in Net Present Value and hauling has been considered.

<table>
<thead>
<tr>
<th>Company</th>
<th>Other Financial Incentives</th>
<th>Transportation Burden</th>
</tr>
</thead>
<tbody>
<tr>
<td>ReCommunity</td>
<td>$1.17/ton</td>
<td>$0/ton</td>
</tr>
<tr>
<td>ReCommunity Op 2</td>
<td>$0/ton</td>
<td>$0/ton</td>
</tr>
<tr>
<td>Waste Management</td>
<td>$0.96/ton</td>
<td>$10.63/ton</td>
</tr>
</tbody>
</table>

Average Annual Tonnage Rate = 32,000 tpy

ACR Range = $1/Ton to $80/Ton
- ReCommunity: $0.94 Per Ton ($30 - $31 Per Ton)
- ReCommunity Op 2: $0.54 Per Ton ($18 Per Ton)
- WM - BFO: $0.47 Per Ton ($26 Per Ton)

ACR Range = $81/Ton to $140/Ton
- ReCommunity: $0.94 Per Ton ($30 - $31 Per Ton)
- ReCommunity Op 2: $0.75 Per Ton ($25 Per Ton)
- WM - BFO: $0.47 Per Ton ($26 Per Ton)

ACR Range = $141/Ton and Up
- ReCommunity: $1.95 Per Ton ($65 Per Ton)
- ReCommunity Op 2: $0.47 Per Ton ($26 Per Ton)
Figure 3 Annualized Gross Revenue Estimate for a 5 Year Revenue Share Contract
Average Annual Tonnage Rate = 32,000 tpy

Figure 4 Annualized Gross Revenue Estimate for a 5 Year Fixed Credit based on ACR Range Contract
Sept 17, 2012

Ms. Denise Turner Roth
City Manager, City of Greensboro
City Municipal Complex
300 West Washington Street
Greensboro, NC 27401

Subject: RFP #11-12 for Processing and Marketing of Recovered Recyclables (RFO) for the City of Greensboro, NC

Dear Ms. Turner Roth:

Waste Management (WM) appreciates the opportunity to submit the following comments regarding the most recent evaluation (Sept 10) of the Best and Final offers for RFP # 11-12-Processing and Marketing of Recovered Recyclables. As previously stated and with all due respect, we maintain the opinion that HDR Engineering’s recommendation, intentional or unintentional, contains several critical flaws and is not in the best interest of the City of Greensboro. We feel the weighted values of the financial incentives were unfairly prejudiced in favor of ReCommunity. For these reasons, WM is asking the City to reconsider their response. We feel that once you have done so, you will see that WM offers the best value to the City of Greensboro.

1. City Income: Fixed Revenue Directly to the City and Protection:

The City’s Annualized Revenue was computed in the various Average Commodity Revenue (ACR) scenarios based on a payment to the City from ReCommunity of $8.00 per ton floor plus a $9.00 per ton education credit. This represents a guaranteed payment to the City of $17.00 per ton no matter how low the ACR. After closer evaluation and ReCommunity’s presentation on Monday 10 Sep 2012, we believe that ReCommunity’s $9.00 per ton credit is simply accrued value, and not actual revenue paid to the City. These “reward” dollars could ONLY be used to execute ReCommunity’s education/marketing offerings such as facility tours, educational brochures, virtual tours and their Recycling Perks program. No pricing was offered by ReCommunity as to what the City would be charged for each item for their menu of education and marketing services. To be clear, we do not believe this $9.00 per ton education
credit to be actual dollars that the City would receive as a rebate to do with as they choose. Therefore, ReCommunity's actual offer is a low $8.00 per ton floor, affording minimal protection to the City. On the other hand, WM's $1.00 education rebate is actual revenue to the City which can be used for education or anything else the City chooses. It also increases our $25.00 per ton floor to a $26.00 per ton protection for the City during this down market.

Excluding all consideration of both proposers' education and marketing credits, the current low ACR would compute ReCommunities $8.00 per ton floor x 30,000 annual tons and would position their true revenue to the City at $240,000. Conversely, WM's $26 per ton floor x 30,000 annual tons would result in $780,000 true revenue to the City. In HDR's presentation, this misrepresentation significantly tipped the scales in defining which competitor is offering true revenue to the City. WM's proposal clearly offers the best protection to the City of Greensboro in this current or any future declining markets.

When you exclude the value of education and marketing credits from both proposers to the direct revenue back to the City, you get a true comparison which shows WM as a clear winner in any ACR scenario. This is demonstrated in Appendix 1.

2. **Three-Year Term and Delayed Start:**

Based on the City's inquiry and interest in a shorter contract term, WM is prepared to offer our Best and Final at a Three-Year term. This affords the flexibility the City seeks to align all their environmental services and better positions them for future sustainable solution opportunities and growth.

If the City is willing to contract with WM in the next 30 days, we are prepared to delay the start of the contract to coincide with the expiration of your current contract term (April 1, 2013). This would afford protection to the City from ReCommunity's astronomical $1,300,000 buyout figure. However, if the City is prepared to contract with WM immediately, we are able to start right away!

We believe accommodating a delayed start of a new contract with ReCommunity, unnecessarily decrease City resources and preclude the immediate rebate potential. ReCommunity should be held to the same standard as all proposers and not be allowed to deviate from the six-week contract initiation period as stated in RFP #11-12. Furthermore, ReCommunity eschewed from its original offer at the February 28, 2012, council meeting when they stated they were prepared to renew their contract nine months early at a savings of $1M to the City. The current request for a delayed start date of April 1, 2013, as well as, a request for $1.3M buy-out, demonstrates inconsistency and instability during the pressures of a down commodity market.

WM is financially stable, agile and ready to adjust to the changing needs of the City to minimize your risk and optimize your revenue.

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**Public Sector Solutions**
Opening a world of solutions for your environmental needs.

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3. **Transportation:**

The City’s most viable option is to direct-haul recyclables from City routes to our new state-of-the-art Materials Recovery Facility (MRF) located in eastern Forsyth County. We believe HDR’s analysis grossly overestimated this transportation option at $11.00 per ton. Their assertion that the City needs to add another Recycling vehicle to its existing eight-vehicle fleet in order to collect recyclables from Greensboro’s 80,000 households and transport them to our MRF is incorrect. Our comprehensive routing expertise with operating a 21,000 plus vehicle fleet as the largest solid waste provider in North America is unsurpassed. WM believes the City of Greensboro does NOT need to add a 9th route to its recycling fleet to transport recyclables to our MRF. Furthermore, by partnering with WM, the City can streamline the current routes and likely reduce the vehicle fleet to seven. WM is prepared to offer our best routing analysts to collaborate with your staff in maximizing the efficiency of both your recycling and commercial routes. This analyst service, which is valued at more than $75,000 per year would bring significant cost savings to the City and would be offered at no charge as part of WM’s Three-Year contract.

4. **Education and Marketing Value**

HDR’s analysis excluded assigning a monetized value to education/marketing and other financial benefits in the WM proposal. These included: “RecycleBank” Citizen rewards program, (WM subsidized 50% so the City could implement) MRF Education Center capabilities, closed circuit (real-time) video monitoring, recycling coordinators and a myriad of school educational offers. This represented a $13.42 per ton value to the City. Conversely, ReCommunity was assigned a monetized value in the $9.00 per ton credit for their educational offerings; “Recycle Perks” reward program and a Recycling Coordinator, by HDR’s analysis.

To date, WM’s full economic value and enhanced revenue for increased volumes and efficiencies have not been adequately portrayed in any analysis. To be fair, the analysis needs to compare and assign value of the proposal offerings consistently.

In conclusion, we believe HRD’s misrepresentations of true revenue presented to the City of Greensboro from competing proposals, as well as, the overestimation of WM’s transportation expenses, severely flawed and unfairly skewed the RFP recommendation in favor of ReCommunity.

We would also like to extend an invitation to you, the Mayor and Council to tour our facility at any time. We feel confident this will further validate our proposal and solidify that the City’s maximum value for recyclables processing is best served by WM.
WM is a true partner offering the City of Greensboro enhanced opportunity, mitigated risk, increased revenue and true value from day one. We are immediately ready to service the citizens of Greensboro, and we understand the importance of remaining flexible and agile to accommodate the City’s changing environmental landscape. Our demonstrated experience, validated partnerships, financial strength and sustainable capabilities define WM as the clear, best and final choice for the City of Greensboro.

In this regard, I will be immediately available to answer any questions that you may have and arrange an immediate opportunity to present our response in person at a suitable time.

Respectfully,

[Signature]

Tracey Shrader
Area Vice President

Attachment: Appendix 1 True Value chart

cc: Mujaab Shah-Khan, City Attorney
Mike Speedling-Assistant City Manager
Dale Wyrick-Field Operations Director
Stan Joseph-WM Public Sector
APPENDIX 1

Annualized Revenue Estimate
5 Year Contract (Revenue Share)*

<table>
<thead>
<tr>
<th>Company</th>
<th>Minimum Rate</th>
<th>Threshold</th>
<th>Revenue Share</th>
<th>Education Credit</th>
<th>Other Financial Incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>ReCommunity Waste Management</td>
<td>$8/ton</td>
<td>$73-$75/ton</td>
<td>75%</td>
<td>$0/ton</td>
<td>$0/ton</td>
</tr>
<tr>
<td></td>
<td>$25/ton</td>
<td>$73/ton</td>
<td>80%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Average Annual Tonnage Rate = 30,000 tpy

*Annual Revenue based on 2,500 Tons per month. No weight to either Proposer’s Education/Marketing credit or financial incentives.
September 25, 2012

Mr. Dale Wyrick, PE
Field Operations Director
401 Patton Ave.
Greensboro, NC 27406

Re: Greensboro Processing and Marketing of Recovered Recyclables - RFP #11-12
RFP Evaluation Documents

Dear Mr. Wyrick,

HDR is in receipt of the September 17, 2012, letter from Mr. Stan Joseph of Waste Management to City Manager Roth related to RFP #11-12 for Processing and Marketing of Recovered Recyclables. I thought it might be helpful to provide a response to certain aspects of Mr. Joseph’s letter to clarify the basis of our analysis and financial modeling of the proposals received.

Excerpts from Mr. Joseph’s letter are provided in italics below with HDR’s responses immediately following.

**Excerpt 1 (from Item 1 of the 9/17 letter)**

“The City's Annualized Revenue was computed in the various Average Commodity Revenue (ACR) scenarios based on a payment to the City from ReCommunity of $8.00 per ton floor plus a $9.00 per ton education credit. This represents a guaranteed payment to the City of $17.00 per ton no matter how low the ACR. After closer evaluation and ReCommunity's presentation on Monday 10 Sep 2012, we believe that ReCommunity's $9.00 per ton credit is simply accrued value, and not actual revenue paid to the City. These "reward" dollars could ONLY be used to execute ReCommunity's education/marketing offerings such as facility tours, educational brochures, virtual tours and their Recycling Perks program. No pricing was offered by ReCommunity as to what the City would be charged for each item for their menu of education and marketing services. To be clear, we do not believe this $9.00 per ton education credit to be actual dollars that the City would receive as a rebate to do with as they choose.”

**Response 1**

The statements regarding how the City may use the ReCommunity education/marketing credit are incorrect. This issue was clarified verbally during the interview with ReCommunity on August 31, 2012, and again in writing by ReCommunity (letter from J. White to J. Readling dated September 19, 2012, response to Question 1). Following is an excerpt from the ReCommunity letter:

“We recommend the city use these funds [referring to the $9 or $10 per ton education/marketing credit offered in ReCommunity’s Best and Final Offer Price Forms] in whole or in part to promote and expand the recycling program, because a recycling program grows best with a continuous, supported education component. Contractually, however, the city can use the money as it wishes.”
Based on this information, HDR stands behind our decision to monetize the $9 or $10 per ton education/marketing credit in the financial modeling for ReCommunity, just as we monetized the $1 per ton education/marketing credit in the financial modeling for Waste Management.

**Excerpt 2 (from Item 2 of the 9/17 letter)**

"ReCommunity should be held to the same standard as all proposers and not be allowed to deviate from the six-week contract initiation period as stated in RFP #11-12."

**Response 2**

During the ReCommunity interview on August 31, 2012, ReCommunity stated that their proposal was based on a start date of April 1, 2013 (immediately following expiration of their current contract). During the Council Work Session on September 10, 2012, ReCommunity was questioned regarding this issue and indicated willingness to discuss the contract start date. Subsequently, HDR requested a written clarification from ReCommunity, which was provided in the letter from J. White to J. Readling dated September 19, 2012 (response to Question 2 (a)). Following is an excerpt from the ReCommunity letter:

"If awarded, ReCommunity will allow the City to start the new pricing terms with no penalty to exit the old contract. New pricing will begin on the first day of the month immediately after the contract is signed by ReCommunity and the City."

Based on this response, if the City were to execute a new contract with ReCommunity by the end of October, the improved contract terms would initiate November 1, 2012. Conversely, if the City were to execute a new contract with Waste Management by November 1, the City would need to either:

1) defer initiation date of the contract until April 1, 2013, to let the current contract run its term and avoid paying an early termination fee to ReCommunity; or

2) initiate the new Waste Management contract before April 1, 2013, and address the early termination fee with ReCommunity.

**Excerpt 3 (from Item 3 of the 9/17 letter)**

*The City's most viable option is to direct-haul recyclables from City routes to our new state-of-the-art Materials Recovery Facility (MRF) located in eastern Forsyth County. We believe HDR's analysis grossly overestimated this transportation option at $11.00 per ton. Their assertion that the City needs to add another Recycling vehicle to its existing eight-vehicle fleet in order to collect recyclables from Greensboro's 80,000 households and transport them to our MRF is incorrect. Our comprehensive routing expertise with operating a 21,000 plus vehicle fleet as the largest solid waste provider in North America is unsurpassed. WM believes the City of Greensboro does NOT need to add a 9th route to its recycling fleet to transport recyclables to our MRF. Furthermore, by partnering with WM, the City can streamline the current routes and likely reduce the vehicle fleet to seven. WM is prepared to offer our best routing analysts to collaborate with your staff in maximizing the efficiency of both your recycling and commercial routes. This analyst service, which is valued at more than $75,000 per year would bring significant cost savings to the City and would be offered at no charge as part of WM's Three-Year contract.*

**Response 3**

Determining the additional cost to the City to haul its recyclables to a more distant MRF is an important aspect of the financial analysis. Based on our detailed review of hauling options, HDR agrees with Mr.
Joseph’s revised assertion that direct haul is the most viable way to deliver recyclables to the Waste Management MRF in eastern Forsyth County. As you know, HDR reviewed both direct hauling and use of the City’s Municipal Solid Waste Transfer station in our initial analysis. We did this because Waste Management’s original proposal recommended use of the transfer station as the most viable way to deliver recyclables to their MRF. Following is an excerpt from page 19 of Waste Management’s original proposal, which explains their original recommendation.

"Waste Management will accept recyclable materials in truckload quantities [meaning tractor trailers as opposed to City collection trucks] at the new Waste Management greater Piedmont Regional MRF if the City wishes to utilize their transfer station to reduce drive time. Waste Management recommends this approach for efficiency’s sake and has proposed a fixed floor and freight allowance to ensure the City always receives a good rebate it can count on. The City’s transfer station is underutilized, so there is little increase in direct cost. The station is about 12 miles from the Winston Salem MRF [the actual distance is about 15 miles], so local freight per trip will be low and the City will not lose route productivity from direct deliveries from more eastern parts of the City."

Waste Management initially stated that using the transfer station would be most efficient, and now they are saying that direct hauling would be most efficient (and we agree). There are several issues worthy of clarification regarding estimated hauling cost. Our methodology for analyzing additional hauling costs to deliver recyclables to the Waste Management MRF was explained in our original analysis transmitted to you under cover letter dated July 23, 2012, and again in our analysis of Best and Final Offers (BFO’s) transmitted to you under cover letter dated August 6, 2012.

Regarding use of the transfer station, HDR estimated it would cost about $10 per ton to perform the hauling. But before the material can be hauled from the transfer station, it must be loaded on the trucks. It currently costs the City about $6 per ton to operate the transfer station. HDR used a value of half, or $3 per ton, as an assumed incremental additional cost to the City to manage the additional transfer operation of loading recyclables. This resulted in a combined loading and hauling estimate of $10 + $3 = $13 per ton. As stated in our analysis, we believe our estimate of additional hauling cost from the transfer station to the Waste Management MRF to be on the low side (i.e., favorable to Waste Management’s financial analysis). In Waste Management’s BFO, they offered to perform the hauling from the transfer station for a fee of $16.22 per ton. If this is a reliable estimate, it overwhelmingly confirms that our estimate of around $10 per ton for the hauling is low, not high.

Regarding the direct haul analysis, this was a joint effort by City staff and HDR. Staff utilized its fleet routing software to determine the incremental additional time, mileage, and fuel required for each truck to travel from each route to the more distant MRF. Most of the trucks make two trips a day to the MRF. HDR then took this information including additional drive times, estimated driver wages, and City fuel prices (which are not taxed like consumer fuel), and estimated the incremental additional costs to be about $10-11 per ton to direct haul to the Waste Management MRF. This estimate included the purchase of an additional collection vehicle (prorated over the contract term), which is needed due to the reduced fleet productivity caused by traveling to the more distant MRF. Waste Management has asserted to Council that the cost is closer to $7 per ton, and ReCommunity has asserted that our value of $10-11 is low, citing that we omitted additional fleet maintenance costs and more frequent replacement cost that would be experienced due to the additional miles per year traveled by the fleet. We believe our estimate
for direct hauling again errrs on the low side, so as not to unfairly burden the Waste Management financial model.

There is a separate issue regarding fleet efficiency that has also been raised by Waste Management. They have repeatedly asserted to staff and Council (and again restated in Mr. Joseph’s letter) that the City’s collections and routing operations are not performing efficiently and that with some attention to routing efficiency the City would not need to add another collection vehicle to deliver recyclables to their more distant MRF. With regard to our analysis, HDR has not performed an efficiency study of the City’s current collections and routing, so we cannot weigh in on the debate regarding how many trucks the City should be currently operating. However, the fact that it will take more time and resources to deliver every load of recyclables to 280 Business Park Drive in Winston-Salem than it does to deliver to 706 Patton Avenue in Greensboro is undisputable. For this reason, I believe the estimated incremental additional cost HDR has estimated is reasonable, regardless of whether or not the City needs to add an additional truck to go to the Waste Management MRF. My belief is based on the following: if, through route modifications and efficiency improvements, you can deliver recyclables to the Waste Management MRF without adding an additional collection vehicle, then, using the same routing modifications and efficiency improvements, you should be able to deliver recyclables to the much closer ReCommunity MRF using at least one less collection vehicle than you currently use. With respect to the financial modeling, HDR is trying to derive the financial difference between the Waste Management and ReCommunity offers, so there is still the difference of one collection vehicle between delivering recyclables to the more distant Waste Management MRF vs. the closer ReCommunity MRF.

Based on the explanations above, we continue to believe that the hauling issues have been fairly represented in our analysis.

Excerpt 4 (from item 4 of the 9/17 letter)

“HDR’s analysis excluded assigning a monetized value to education/marketing and other financial benefits in the WM proposal. These included: “Recycle Bank” Citizen rewards program, (WM subsidized 50% so the City could implement)…”

Response 4

Recycle Bank is a payment-for-service incentive program to enhance recycling participation. Waste Management has claimed that they are subsidizing this program at a value of $288,000 per year and they have monetized that amount in presentations made to Council and in the financial explanations in Mr. Joseph’s letter. HDR monetized the $1 per ton education/marketing credit, the $75,000 first year education grant, and the solar compactors (valued at $66,000) included in Waste Management’s BFO, but did not monetize the Recycle Bank program offer.

The reasons the Recycle Bank program was not monetized by HDR include:

1) During our evaluation, City staff related that they had had discussions with Recycle Bank representatives a couple of years ago, and the cost of the program offered was almost identical to the program cost proposed by Waste Management in their original proposal and their BFO. (Waste Management has asserted that the City would not get the same price now directly from Recycle Bank that they offered earlier to the City and HDR has not evaluated this further). Either way, the City decided at that time to pass on the offer from Recycle Bank, suggesting that there was not compelling interest in the program to proceed.
2) There are other incentive programs that are available, and the City may want to explore other options before contracting for a specific program. (i.e., in ReCommunity’s BFO they offered a similar program called Recycling Perks).

3) This incentive-type program was not explicitly solicited in the RFP and so it is not the primary focus of the evaluation. Therefore, the incentive programs were considered more as “added value” elements of both proposals.

4) Following receipt of the BFO’s, HDR asked Waste Management if they would offer the Recycle Bank subsidy (that they valued at $288,000 per year) as a direct payment to the City if the City were not interested in contracting with Recycle Bank. They said no.

For the reasons stated above HDR did not monetize the Recycle Bank incentive program offer from Waste Management in the financial modeling, nor did we do so for the Recycling Perks program suggested by ReCommunity. If the City prefers that HDR address this issue in another manner, please advise, and we can do so.

Excerpt 5 (from item 4 of the 9/17 letter)

[HDR’s analysis excluded assigning a monetized value to] “…MRF Education Center capabilities, closed circuit (real-time) video monitoring, recycling coordinators and a myriad of school educational offers.”

Response 5

In presentations to staff and Council, and in Mr. Joseph’s letter, Waste Management has credited (monetized) their offer with $500,000 ($100,000 per year on a five year contract) for the education center that is under development at their MRF. HDR did not monetize the education center in our financial modeling for the following reasons.

1) The education center does not directly provide revenue to the City.
2) The education center is being developed by Waste Management regardless of whether the City contracts with them.
3) The ReCommunity MRF also has an education center, and it was not monetized in the financial model.
4) At least one Council member expressed concern over how school students from Greensboro would be able to access the more remote location (citing travel costs) of the Waste Management facility as compared to the more proximally located ReCommunity MRF and education center.

Again, while the importance of an educational component related to recycling programs is undisputed, the intent of the financial modeling is to discern the differences between the offers. As both companies are well qualified experts in the recycling field, both have education centers at their MRF’s, and both have a depth of educational resources, we considered these added value features to be generally offsetting between the two companies.

Excerpt 6 (from item 4 of the 9/17 letter)

Conversely, ReCommunity was assigned a monetized value in the $9.00 per ton credit for their educational offerings; "Recycle Perks" reward program and a Recycling Coordinator, by HDR’s analysis.”
Response 6

See Response 1 regarding the $9.00 per ton credit and why it was monetized.

See Response 4 regarding Recycling Perks rewards program. It was not monetized in the ReCommunity model.

Regarding the Recycling Coordinator, Price Form 6 of ReCommunity’s BFO clarifies that for their fixed rate options (Price Forms 2 and 4), the dedicated Recycling Coordinator offered in their original proposal remained valid. HDR only monetized the coordinator in these options, (at a value of $37,500 per year; the midpoint of the value suggested by ReCommunity) and not in the options that proposed the $9.00 per ton (Price Forms 1 and 3) or $10.00 per ton (Price Forms 2 and 4 for Option 2) education/marketing credit. Our analysis therefore aligns properly with the basis of the ReCommunity offer.

Excerpt 7 from the closing paragraphs of the 9/17 letter)

“To date, WM’s full economic value and enhanced revenue for increased volumes and efficiencies have not been adequately portrayed in any analysis. To be fair, the analysis needs to compare and assign value of the proposal offerings consistently.

In conclusion, we believe HRD’s misrepresentations of true revenue presented to the City of Greensboro from competing proposals, as well as, the overestimation of WM’s transportation expenses, severely flawed and unfairly skewed the RFP recommendation in favor of ReCommunity.”

Response 7

Based on the information provided in the responses above, HDR believes our evaluation fairly represents the offers from Waste Management and ReCommunity for processing and marketing of the City’s recyclables. It must be stated that both firms are imminently qualified to perform the requested services, and both offers represent a very bright financial future for the City of Greensboro related to its recycling program. Considering the explanations above, our evaluation of the original proposals, the Best and Final Offers, and the subsequent clarifications from both firms, we continue to believe that the ReCommunity offer will provide superior financial return to the City.

Our goal as always is to provide fair and balanced technical support to the City. Should staff or Council feel that any element of our evaluation does not meet that standard, we stand ready to discuss and reconcile any issues you may have.

Respectfully Submitted,

HDR Engineering, Inc. of the Carolinas

[Signature]

Joseph Readling, PE, VP
RE Community Holdings II, Inc.
809 West Hill Street, Suite A
Charlotte, NC 28208
(704) 697-2000

September 19, 2012

Denise Turner Roth
City Manager, City of Greensboro
PO Box 3136
Greensboro, NC 27402-3136

Dear City Manager:

Thank you for the opportunity to respond to the City's request for a Best and Final Offer for recycling services. After the presentations on Monday, September 10, we would ask you and the City Council to consider the following facts.

ReCommunity's fixed price offer is $2.34 million better than Waste Management's.

❖ In our fixed price offer, ReCommunity will pay the City a fixed rate of at least $30 per ton.

❖ Our facility is located in Greensboro adjacent to the City’s field office, so there is NO negative transportation cost impact to the City.

❖ Waste Management has offered the City a fixed-rate of $26 per ton. According to your consultant’s estimate, it will cost $11 per ton to transport the material to Waste Management's facility in Winston-Salem. Subtract that $11 in cost from Waste Management's $26 offer and the net value of WM's offer to the City is $15 per ton.

❖ ReCommunity’s payment offer of $30 per ton is $15 per ton more than the Waste Management offer to the City. If the City recycles 31,200 tons a year as in the Best and Final Offer, this means that ReCommunity’s offer is $468,000 per year better than Waste Management’s offer—or $2.34 million better over the contract term of five years.

❖ To clear up any confusion surrounding transportation costs: even if Waste Management’s transportation cost was zero, ReCommunity’s offer still is better.

ALL ReCommunity offers are better for the taxpayer than Waste Management’s offers.

❖ In the Best and Final Offer request, the City asked both companies to answer very specific scenarios, including fixed-rate and market-based bids. Your consultant and staff studied the responses carefully and found ReCommunity’s fixed-rate and market-based offers all are better financial deals for the City. Five-year results for each deal follow:

❖ Fixed deal is at least $2.34 million better than Waste Management.

❖ Market deal is at least $2.2 million better than Waste Management.

ReCommunity now offers the City NO termination penalty with the new contract.

❖ ReCommunity will allow the City to start the new pricing terms with no penalty to exit the old contract. New pricing will begin the first day of the month immediately after the contract is signed by ReCommunity and the City.
ReCommunity will agree to a five-year contract.

- The City requested offers for both a five-year term and a ten-year term. We submitted offers for five years and ten years, and will agree to either term.

ReCommunity employs 65 people in East Greensboro.

- With a $2 million payroll, ReCommunity has been a long-time corporate citizen of Greensboro. We employ 65 people at our facility in East Greensboro, where job creation is one of the City's primary goals. We are proud to be a part of the solution.

ReCommunity will immediately accept "all plastic containers," pizza boxes, milk cartons.

- We are prepared to immediately accept more recycled materials, including all plastic containers, milk cartons and pizza boxes. We will make the necessary accommodations to ensure these materials are recovered. Also during our retrofit, these materials still will be recovered by the interim processing facility, so no product will be lost.

ReCommunity plans $4 million to upgrade to a state-of-the-art facility in Greensboro.

- This new state-of-the-art system will incorporate the latest in recovery technology, allowing us to recover additional material out of the waste stream. This will enable the City to recycle more and to be paid more revenue.

Greensboro and ReCommunity have created a model recycling program over 20 years.

- Our company has been an excellent partner with the City of Greensboro for more than 20 years, dating back to 1992 when we won a competitive bid procurement to process the City's recyclables. We have worked with City staff to pioneer and create a model recycling program that has been adopted by nearly all of our competitors, including our competitor in this bid. We have never let the City down. We have honored each contract renewal with the City. The contract was renewed in 2002 and 2007, and both times the contract terms have been approved by City staff, Council and Mayor. At each renewal, the City had the option to go to RFP, but it found ReCommunity to be the best overall value to the City during each time period. ReCommunity has improved contract terms for the City, paralleling the improvement in the recycling commodity markets and technology.

Best Value, Proven Partner, Innovator

- ReCommunity's bid is by far the best proposal both financially and operationally. By conservative estimates, it will pay the city $2.34 million more than Waste Management's fixed proposal. We are a proven partner, willing to work with the City and to help create new ways to increase citizen participation in the program. ReCommunity looks forward to continuing to provide excellent service and proven value to the citizens of Greensboro.

Sincerely,

Jerry White
Southeast Regional Manager
ReCommunity Inc.
Setting the Record Straight

During the public debate regarding the recycling contract for Greensboro, ReCommunity has been wrongly accused of treating the city unfairly. We ask you to consider the following.

**Single Stream curbside collection saved Greensboro millions of dollars over the past 18 years.**

- Greensboro’s single stream MRF has been operating since 1993. Dual stream collection requires more work by the homeowner as well as the collector compared to single stream. Experts estimate that single stream collection saves approximately $50 per ton in collection costs compared to dual stream (two-sort). The City of Winston-Salem has saved over $100,000 per month or roughly $100 per ton by changing from dual stream collection to single stream collection this year.

- By giving the City of Greensboro the ability to collect single stream, ReCommunity helped save the City between $10 and $25 million over the past 18 years. This estimate also takes into account Greensboro’s change from weekly collection of recyclables to bi-weekly collection about 5 years ago.

- By contrast, most municipalities ran dual stream collection programs for most of those years, and they incurred much higher collection costs and smaller diversion rates as a result. For the most part, those municipalities have started to catch up with single stream collection over the past five years. For example, Winston-Salem did not start single stream collection until last year. Not having single stream cost Winston-Salem millions of dollars in collection costs over the same period of time.

**Remember our history.**

- ReCommunity Greensboro’s single stream MRF was one of the first built in the nation.

- The recycling industry has changed over the past 18 years since we built our single stream MRF to serve Greensboro.

  1. New markets for recycling materials have been created during that time.
  2. Single stream processing technology has improved dramatically.

- The evolution in our industry has made it possible to offer better contract terms over time. It would have been impossible to offer 2012 terms in 1992 or even in 2007, since current markets and technology did not exist.
Waste Management would be charging Greensboro for recycling under a recent bid.

- Waste Management has tried to suggest that ReCommunity has been unfair to the city of Greensboro in the past because we have charged tipping fees along with providing the city a revenue share. As we have pointed out, our terms to the city have been commensurate with the state of markets and technology.

- Even today, Waste Management charges some of its customers tipping fees with no revenue share. For example, Waste Management currently charges the city of Wilmington a tipping fee of $25 per ton.

- In fact, if Greensboro had accepted Waste Management’s March 2011 proposal, the city would be paying Waste Management for recycling under current market conditions. This bid, offered just over a year ago, included a $72/ton tipping fee.

Waste Management had the opportunity to improve its terms in the Best and Final Offer, but instead Waste Management proposed terms that are worse for Greensboro.

- Waste Management could have offered to provide the city transfer services. But instead, Waste Management proposed to charge the city $16/ton to haul recyclables from the Greensboro Transfer Station to Waste Management’s Winston-Salem facility.

- The city’s ability to receive revenue share sooner from Waste Management was reduced when they raised the threshold by $30/ton in Waste Management’s Best and Final Offer. Waste Management’s original threshold was $42.15/ton. In the Best and Final Offer, Waste Management changed that to $72/ton, which means the City would not get any revenue share until the ACR exceeds $72/ton. In reality, the Waste Management deal got worse for Greensboro.

Recycling Perks vs. Recycle Bank: ReCommunity saves the city another $330,000.

- ReCommunity’s Recycling Perks partnership costs the city nothing to set up. Waste Management’s Recycle Bank costs $3.30 per household to set up.

- Assuming 100,000 households, the city pays $330,000 with Waste Management. Assuming 100,000 households, the city pays ZERO dollars with Recycling Perks.

- Waste Management is overcharging the city $330,000 to merely activate the same program ReCommunity offers without activation cost.
ReCommunity’s price proposals are a better deal for Greensboro.

- Simple arithmetic clearly proves that ReCommunity pays more money to Greensboro in every price option and in every scenario.

- **ReCommunity’s Fixed Price:** pays the city $30/ton and Waste Management only pays $15/ton. (Waste Management’s $26 rebate minus $11 freight cost = $15/ton rebate.) Under Waste Management’s bid, the city has real freight expenses of $11/ton to deliver material to Winston-Salem.

- **ReCommunity’s Variable Price:** pays the city more money every time.

  - **ReCommunity Variable Price Formula:**
    - $9 marketing credit + (ACR − $75 trigger) × 75% revenue share

  - **Waste Management Variable Price Formula:**
    - $1 marketing credit + (ACR − $72 trigger) × 80% Revenue share

- **ACR $160:** ReCommunity pays $72.75/ton vs $60.40/ton from WM

  - ReCommunity = $9 marketing credit + ($160 ACR less $75 trigger) × 75% revenue share = $72.75 rebate
  
  - Waste Management = $1 marketing credit + ($160 ACR less $72 trigger) × 80% revenue share = ($71 rebate less $11 freight cost) = $60.40 rebate to city

- **ACR $120:** ReCommunity pays $42.75/ton vs $28.40/ton from WM

  - ReCommunity = $9 marketing credit + ($120 ACR less $75 trigger) × 75% revenue share = $42.75 rebate
  
  - Waste Management = $1 marketing credit + ($120 ACR less $72 trigger) × 80% revenue share = ($39 rebate less $11 freight cost) = $28.40 rebate to city

- **ACR $105:** ReCommunity pays $31.50/ton vs $16.40/ton from WM
- ReCommunity = $9 marketing credit + ($105 ACR less $75 trigger) x 75% revenue share = $31.50 rebate
- Waste Management = $1 marketing credit + ($105 ACR less $72 trigger) x 80% revenue share = ($27 rebate less $11 freight cost) = $16.40 rebate to city
  - ACR $80:
    - ReCommunity pays $17/ton vs $15/ton from WM
- ReCommunity = $9 marketing credit + ($80 ACR less $75 trigger) x 75% revenue share = $12.75 rebate ($8 floor price is activated to bring minimum payment to $17/ton)
- Waste Management = $1 marketing credit + ($80 ACR less $72 trigger) x 80% revenue share = $7 rebate ($25 floor price is activated less $11 freight cost = $15/ton)

Thank You,

Jerry White
Southeast Regional Manager
ReCommunity