Building Good MRF Contracts

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CT Coalition for Sustainable Materials Management
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Each day we work together with communities and companies to help Americans recycle, and recycle well.
Recycling Partnership Support
Why we produced this guide:

• Community/MRF relationship central to the health of the system, but...

• Many contracts miss essential elements

• “New normal” of markets and contamination create new complexities

• Healthy contracts using common elements will help all stakeholders

https://recyclingpartnership.org/MRF-Contracts/
Interdependent, But Not Always Aligned

- Community: Predictability
- Stability: Long Term Vision
- Long Term Vision: Clear Communications
- Clear Communications: Material Quality
- Material Quality: Profitability
- MRF: Profitability

The Recycling Partnership
Ideal MRF Contracts

• Allow both parties to live through range of market conditions
• Create shared risk and reward
• Establish platform for strong communication and collaboration
• Include clear expectations about acceptable materials and contamination
The MRF Contracting Process

Communities Must Start By Assess Goals and Priorities

Planning for Procurement:
- **The Instruments**: RFIs vs RFQs vs RFBs vs RFPs
- **The Options**: Public-Private Partnership vs Purchasing Service Agreement
- **The Calendar**: Timelines and Schedules
- **Consider Contract Length as a Key Issue**
RFP Timeline and Process

- Strategy Workshops
- Define Scope of Services
- Develop Evaluation Criteria
- Develop RFP
- Notify Vendors

- RFP Release
- Pre-Proposal Conference
- Addenda Issued
- Proposals Received

- Technical & Financial Reviews
- Interviews
- Contract Negotiation
- Contract Award

- Transition & Implementation Based on Partnership Agreement

Local Governments Develop RFP

Vendors Develop Proposals

Evaluation, Negotiation, & Award

Transition & Implementation
Contract Length

True test of the public/private balance
  • Should align with community goals

Contract Length Pros and Cons
  • Ideally contract length is sufficient to allow recovery of capital costs, and...
  • to make necessary investment, but...
  • to not preclude market choice over time

Consider Definite Period + Optional Renewals
Essential Elements in MRF Contracts

1. Processing Fees
2. Revenue Sharing
3. Material Value Determination
4. Acceptable Materials Mix Determination
5. Material Audits
6. Material Quality / Contamination
7. MRF Performance
8. Rejected Loads and Residue Disposal
9. Education and Outreach Support
10. Contingencies
11. Reporting and Communications
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# The New Normal - MRF Material Costs and Values

<table>
<thead>
<tr>
<th>Commodity</th>
<th>% of Outbound Materials</th>
<th>Price</th>
<th>Weighted Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardboard</td>
<td>17.50%</td>
<td>$75.00</td>
<td>$13.13</td>
</tr>
<tr>
<td>Mixed paper</td>
<td>38.00%</td>
<td>$11.56</td>
<td>$4.39</td>
</tr>
<tr>
<td>Cartons/aseptics</td>
<td>0.10%</td>
<td>$22.50</td>
<td>$0.02</td>
</tr>
<tr>
<td>Aluminum cans</td>
<td>1.10%</td>
<td>$783.80</td>
<td>$8.62</td>
</tr>
<tr>
<td>Steel cans</td>
<td>1.80%</td>
<td>$79.25</td>
<td>$1.43</td>
</tr>
<tr>
<td>Glass</td>
<td>17.20%</td>
<td>($26.79)</td>
<td>($4.61)</td>
</tr>
<tr>
<td>PET</td>
<td>3.90%</td>
<td>$141.12</td>
<td>$5.50</td>
</tr>
<tr>
<td>HDPE Natural</td>
<td>0.90%</td>
<td>$726.20</td>
<td>$6.54</td>
</tr>
<tr>
<td>HDPE Colored</td>
<td>1.00%</td>
<td>$71.60</td>
<td>$0.72</td>
</tr>
<tr>
<td>3-7 Plastics</td>
<td>1.10%</td>
<td>($21.20)</td>
<td>($0.23)</td>
</tr>
<tr>
<td>Mixed Rigid Plastics</td>
<td>0.40%</td>
<td>$48.80</td>
<td>$0.20</td>
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<tr>
<td>Residue</td>
<td>17.00%</td>
<td>($50.00)</td>
<td>($8.50)</td>
</tr>
<tr>
<td></td>
<td>100.00%</td>
<td></td>
<td>100.00%</td>
</tr>
<tr>
<td>Processing Cost</td>
<td></td>
<td>$90.00</td>
<td></td>
</tr>
<tr>
<td>Profit (Loss)</td>
<td></td>
<td>($62.80)</td>
<td></td>
</tr>
</tbody>
</table>
The Commingled Ton Over Time

Blended Value $/Ton

If Processing Cost = $70/Ton
Essential Element #1: Processing Charges

MRFs cannot sustain losses on every inbound ton.

Material values do not presently cover processing costs.

Need equitable arrangements to keep MRF operator whole.

Processing charges here to stay and should be explicitly addressed in the contract.
Essential Element #2: Revenue Sharing

Gives both parties stake in market conditions

Pros and cons of percentage share

Q: Is it better for community to get more or less of the share?

Basic Contract Language: For incoming ton of materials delivered by the City to the Processing Facility, the Contractor shall divide and pay the City a Recyclable Revenue Share, distributed as 60% to the City and 40% to the Contractor.
Essential Element #5: Inbound Audits

Contract should spell out:

• Frequency

• Methodologies

• Reporting Parameters

• Usage of Data
Essential Element #6: Material Quality/Contamination

Important to establish:

Material quality standards

How contamination is measured

How cost of contamination is shared

Contract Consideration: Is an incentive for addressing quality and contamination important?
Essential Element #9: Outreach Support

Contract should clearly define roles about outreach responsibilities

Consider including funding in contract to:
- Stabilize outreach revenues
- Shield them from budget processes
- Establish mutual commitment to quality

One e.g. of MRF role is requirement to host tours

**Basic Contract Language**: In support of the City’s public education efforts, payment will be made to the City by the Contractor in the amount of $1.50 per ton of Recyclable Materials delivered to the processing facility.
Partnership Resources: Campaign Builder

Let's customize your campaign materials

Answer five questions to customize your FREE campaign materials to help tackle your top recycling issues. It's like magic, but more practical and effective.

Let's Go

We'll be customizing the following three pieces.

Before we begin, make sure your accepted materials and top contaminants match your MRRPs. Our MRRS Survey will help you get on the same page as your hauler, which will lead to a more effective campaign.

recyclingpartnership.org/pdf-builder-login/
Questions?

Link to MRF Contracts Guide:  
https://recyclingpartnership.org/MRF-Contracts/

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