BEFORE THE CONTRACT REVIEW BOARD
OF METRO

FOR THE PURPOSE OF AUTHORIZING AN EXEMPTION TO THE REQUIREMENT OF COMPETITIVE BIDDING PURSUANT TO METRO CODE 2.04.041, AND AUTHORIZING THE EXECUTIVE OFFICER TO EXTEND THE CURRENT OPERATIONS CONTRACT FOR METRO SOUTH STATION TO NO LATER THAN OCTOBER 1, 1996	)	RESOLUTION NO. 94-2003 Introduced by Rena Cusma, Executive Officer

WHEREAS, Metro can extend the current operations contract for the Metro South Station, at its option, pursuant to the terms of the contract; and

WHEREAS, Metro has determined it is in the public interest to extend the existing contract until October 1, 1996 for the reasons described in EXHIBIT "A" to this resolution; and

WHEREAS, Under Metro Code Section 2.04.045(a)(2), such an extension requires an exemption from public bidding requirements by the Metro Contract Review Board; and

WHEREAS, Metro Code Section 2.04.041(c) and ORS 279.015(2) authorize the Metro Contract Review Board to exempt a public contract from competitive bidding if it finds that the exemption will not encourage favoritism or substantially diminish competition for public contracts and that such an exemption will result in substantial cost savings; and

WHEREAS, EXHIBIT "A" presents findings which satisfy the requirements of such an exemption; now, therefore,

WHEREAS, This resolution was submitted to the Executive Officer for consideration and was forwarded to the Council for approval; now therefore,

BE IT RESOLVED,

1. That based on the information presented in EXHIBIT "A", the Metro Contract Review Board finds that:

    a) It is unlikely that exempting an extension of the existing Metro South Station operations contract will encourage favoritism in the awarding of public contracts or substantially diminish competition for public contracts; and

    b) The extension will result in substantial cost savings to Metro; and

2. That based on these finding, the Metro Contract Review Board authorizes the Executive Officer to extend the existing operations contract for Metro South Station to no later than October 1, 1996.

ADOPTED by the Metro Contract Review Board this 22 day of September, 1994.

Judy Wyers

Judy Wyers, Presiding Officer

CG:clk

EXHIBIT "A"

The following findings are recommended in support of an exemption from public bidding requirements for the extension of the Metro South Station operations contract:

1. It is not likely that the exemption will encourage favoritism or substantially diminish competition for public contracts.

"Favoritism" implies that there is a bias on the part of the contracting agency to award a contract to a particular contractor for reasons other than the furtherance of sound public policy and the intent of the public contracting system. Such favoritism is not encouraged through extension of the contract with Waste Management of Oregon, because the driving forces behind the extension are not bias, but instead, demonstrated public policy concerns and potential savings to Metro as described in the attachments. In fact, our survey of transfer station costs indicates that the current prices for operation of MSS are one of the lowest in the country for a publicly owned/privately operated transfer station.

In addition, the current contract contemplated that an extension might be warranted and so an extension clause was included. The contract language for extensions is clear that such extensions are at Metro's "sole discretion", limiting the possibility of bias entering into a decision to extend because the extension compels the contractor to continue whether it is acceptable to it or not. Likewise, while extensions can be for a period of up to 2.5 years, Metro can issue multiple extensions for as short as 6 months at Metro's option, thereby preserving Metro's flexibility both in terms of public policy, but also for purposes of ensuring contractor performance.

In a like manner, competition will not be substantially diminished if an extension is made to the contract. A public contract process was used to award the contract initially. Three bids were received, and Waste Management of Oregon's bid was almost 20% lower than the next lowest bid. The extension language was included in the bid documents to solicit the bids and was not objected to by potential bidders.

Also, the public policy conclusions of the attachments recommend a relatively short delay in rebidding both operation contracts as a package. If the MSS contract was rebid for less than two years, the current contractor would have a significant competitive advantage since it is already on-site and fully mobilized. Other potential bidders would have to spread mobilization and equipment costs over a relatively short time frame, whereas the existing contractor would not. It is therefore probable that extending the current MSS contract and the rebidding it as a package with MCS in October 1996 will actually increase competition.

2. Awarding of the contract will result in substantial cost savings for the agency.

Cost savings resulting from the extension fall into three categories that were evaluated in Attachment No. 2. First, the current MSS contract price is substantially less than similar contracts elsewhere as well as the previous contractor's price. The original bid price was also substantially below other bids received in 1989. In the attached analysis it is concluded that if MSS operations contract were rebid by itself, that bids would be higher than those available under an extension of the existing contract.

The second category suggests that savings are available through bidding MSS and MCS as a package effective October 1, 1996. This is because bidders would enjoy certain economies of scale from operation of both stations. The attached analysis indicates that approximately $2 million would be saved over bidding the contacts separately (Option #1 vs. #2). If the current MSS contract is extended, and the MCS prices are reduced as proposed by the current contractor (including the sale of equipment as proposed under Change Order No. 15 to the MCS contract), and the two stations are bid as a package in October 1996 (Option #3), the analysis concludes that an additional $1.4 million in savings will result.

The last category of savings are avoided administrative costs. Preparing bid documents and conducting the bid process for projects of this size require substantial staff time and other administrative costs. Almost half of these costs will be avoided by extending the current contract and rebidding them as a package.

M E M O R A N D U M

ATTACHMENT NO. 1

METRO

DATE: June 14, 1994

TO: Metro Council Solid Waste Committee

FROM: BM Bob Martin, Solid Waste Director

RE: Transfer Stations Operations Contracts

The current operations contract for the Metro South Station expires in December, 1994, while the one for Metro Central expires in October, 1996 with an option to terminate as early as October, 1994. The contract for Metro South contains the right to extend the contract for an additional two and half years at Metro's option. Staff has analyzed Metro's options as regards these contracts (see attached) and concluded that it is in Metro's best interest to extend the Metro South contract coincidental to the expiration of the Metro Central contract in 1996, and then rebid both contracts together. Below is a summary of the analysis.

The attached analysis considered both non economic and economic factors. The non economic factors in the analysis concern the role of the existing transfer stations in the solid waste system and how these roles will be defined by the two planning processes currently underway. The update to the solid waste facilities plan is being undertaken in response to the Council's adoption of Resolution No. 94-1941. A new waste reduction plan is also currently being written. Both of these planning processes, as well as the waste characterization study, will define the role of transfer stations in the future. It therefore seems appropriate to enter into long term (five year) contracts for station operations, after these plans are completed.

Three economic options were examined:

Option #1 - Rebid both contracts separately at earliest opportunity

Option #2 - Rebid both contracts as a package at earliest opportunity

Option #3 - Renegotiate MCS prices, extend MSS until October 1996, then rebid both.

The economic analysis of probable outcomes indicated that Option #3 results in the lowest cost to Metro. The reason for this outcome is twofold. In terms of the cost of operating transfer stations, the prices for Metro South are well below the industry average, and the Metro Central contractor is willing to reduce prices to within the industry average while lowering the "put or pay" tonnage threshold to a level which should always be exceeded. Together these prices provide Metro transfer station operations at below market prices. Second, since an extension results in firm prices for the future, the uncertainty reflected in the other options is removed, narrowing the range of possible outcomes. In addition, by continuing with the current operator at Metro Central, we will be able to gain valuable operating experience and tighten the bid specifications when the contract is rebid in 1996, further reducing the uncertainty for the five year period examined, while being able to take advantage of the price reductions we believe may be available through bidding the two contracts together.

Based on our analysis, we recommend that the current operations contract be continued until October, 1996, at which time Metro would rebid the contracts as a package. Continuing the Metro South contract will require a resolution from the Metro Council.

BM:ay
cc: Rena Cusma, Executive Officer

M E M O R A N D U M

ATTACHMENT NO. 2

METRO

DATE: June 14, 1994

TO: Metro Council Solid Waste Committee

FROM: Bob Martin, Solid Waste Director

RE: Discussion of Options for Operations Contracts for Metro Transfer Stations

By late 1994, both operations contracts at Metro transfer stations will be able to be rebid. Discussed below are factors to be considered in deciding when to bid out the contracts. These factors include the current structure and performance of the two contracts, the role of the stations in the solid waste system, how current prices compare with other jurisdictions, and bidding strategies and possible outcomes. After consideration of these factors it is my recommendation that the current contracts be rebid together by October 1996. This means extending the Metro South agreement as provided by the contract, and simply continuing the Metro Central contract to maturity. This report provides the background and basis for this recommendation.

BACKGROUND

The current five year operations contract for Metro South Station (MSS) expires December 31, 1994. Per Article 32 of the General Conditions of the contract, Metro may, at its sole discretion, extend the term of the contract for up to an additional 2.5 years. Multiple extensions can be used to extend the term by that amount, except that each extension must be at least 6 months and 90 days notice must be given in advance of the termination date (of the original contract, this would be October 1st, or any subsequent extension). Preliminary discussions with the current contractor indicate a willingness to extend the term, although their agreement to an extension is not required. All terms and conditions of the existing contract apply during the extension, except for "fixed cost" payments which would be discontinued during an extension. The current contractor, Waste Management of Oregon (WMO), did not bid any "fixed costs".

Operations at MSS are fairly straightforward due to the pit design and lack of materials recovery activities. Haulers tip the waste into the pit and a tracked loader pushes the waste into compactors which extrude the waste into transport semi-trailers. Materials recovery activities are limited to mostly source separated materials and white goods which account for about a 1% recovery rate. Although there have been disputes over contract interpretation, these have not resulted in major cost impacts. The main operational problem at the facility has been the repeated failure of the SSI compactor. This has resulted in substantial downtime for the unit. The current operator has cooperated in the situation, and offered to share in a solution to the problem if the contract is extended since a solution would result in lower maintenance costs and downtime. In general, the current contractor's performance has been very satisfactory.

The current five year operations contract for Metro Central Station (MCS) expires October 1, 1996. Per section 13.5 of the agreement, Metro has the option of terminating the agreement after the 3rd year, at its discretion, upon 90 days notice (July 2nd notice to terminate October 1, 1994). The 3 year termination option is a requirement of the type of bonds used to finance the facility, and would be a requirement of any future operations contract as well.

If Metro exercises the termination option, Metro is responsible to pay the contractor's costs of "termination and demobilization." These costs are not defined in the agreement, staff estimates such costs to be in the range of $25,000 to $50,000. If Metro chooses not to terminate, all terms and conditions of the agreement still apply, except for those change orders which expire on the third anniversary. Actual operations at MCS are much more complex than at MSS and are still being modified. The difference in operations is largely due to the flat floor design and materials recovery activities.

The materials recovery activities are still evolving at the facility. The facility was designed to recover mainly wood and paper from the incoming wastestream. Wood is recovered mainly from commercial waste after being tipped onto the floor. It is then taken to the wood line for processing into hog fuel. The wood recovery line has functioned pretty much as planned, and is recovering 75% of the total 7% recovery rate. However, due both to the success of source separation programs (which appear to have removed larger quantities of materials from the wastestream than expected) and the inability of the mechanical lines to upgrade paper to marketable quality, paper recovery has been well below target levels. In an effort to utilize the paper feedstock from the mechanical lines, the contractor has recently installed a pellitizer to make fuel from recovered contaminated paper. The pellitizer is currently undergoing shakedown and contracts with users are being negotiated. In the event that Metro terminates the current contract in October 1994, and Metro is unable to evaluate this equipment sufficiently, it is most likely Metro would have the contractor remove the equipment upon demobilization. Since the fuel is to be made from the contaminated paper recovered by the lines installed initially, it is unclear what would be the materials recovery focus in a future contract. The contractor is also currently negotiating with the American Plastics Council for the installation of a materials recovery system for plastics. The system would primarily be funded by the American Plastics Council.

As originally negotiated, the MCS contract required Metro to reimburse the contractor for one half of the maintenance costs of the facility, other than periodic maintenance. Due to the unacceptability of part of the materials recovery system, the contractor, in a change order which expires in October 1994, agreed to pay all maintenance costs for the first three years of the contract. The value of this change to Metro is estimated at $237,000 annually. It should be noted that, unlike MSS, Metro owns most of the rolling stock at MCS. It is clear that a better arrangement would be for the operator to own this equipment since they have an incentive to maintain the equipment and can take advantage of depreciation. A five year depreciation period is appropriate for most rolling stock. Staff believes the $600,000 worth of rolling stock originally purchased by BFI as a part of the facility purchase price and thus owned by Metro will reasonably last an additional two years. It would be difficult to factor the cost of new equipment into the price per ton if the contract were rebid in October 1994.

As mentioned above, the current operations contract for MCS is five years in length, with the option to terminate after three years. Given the still evolving nature of the materials recovery activities, it would be difficult to specify the activities required in the next contract at this time. The option to terminate is a requirement of the financial arrangement used to construct the facility. The intent of this requirement is to protect Metro should the contractor's performance prove unsatisfactory or too costly. As discussed below, it is probably advantageous for Metro in the long run to honor the full length of the contract to attract lower bids as well as to consolidate operational parameters.

In general, it is staff's opinion that the current contractor (BFI) has performed well. BFI continues to invest substantial time and money in the materials recovery systems and operations. This includes an investment in over $300,000 of equipment not specified in the contract, as well as innovative attempts to increase materials recover such as the pellitizer. In terms of cost, the current cost of operations is perceived as high since the put-or-pay tonnage level has not been reached. A more detailed analysis of relative transfer station costs and expected bid prices is contained below.

THE ROLE OF METRO TRANSFER STATIONS

The solid waste department is currently developing a facilities plan update for the region. The purpose of the plan is to determine the type and number of solid waste facilities which will be needed in the region and the role different parties will play in developing these facilities. It is unclear what role Metro's transfer stations will have in the plan, the volumes they will be expected to process and what activities they will be expected to perform as a part of the solid waste system. The Metro Council adopted Resolution No. 94-1941 (calling for a facilities plan update) in part, because of its concern over the role of transfer stations as part of the system of solid waste facilities needed in the future. Until the facilities plan has been developed and adopted, it would be difficult and perhaps premature (but not impossible) to specify in bid documents what will be needed at MSS and MCS, and their future roles in system.

Likewise, the Department is concurrently developing its five year waste reduction plan. The plan will address the policies, programs and roles the region will need to achieve waste reduction goals. The role and need for transfer stations will be defined to some extent by the plan, both in terms of the stations' roles in increasing materials recovery and also as places where demonstration programs can be conducted to examine the feasibility of different approaches. Particularly with organics, the long term role of Metro transfer stations will be defined by demonstration programs which will be undertaken in the next fiscal year.

Metro is also currently conducting a waste characterization study to determine the composition and origin of waste arriving at solid waste facilities. The study will be a driving force in the development of both of the above plans. The information gathered will provide a picture of the success of waste reduction programs and what materials remain for recovery at transfer stations. The study will also examine the impact of a large "dump and sort" operation which will come on-line during the Spring. Its impact will be critical in determining the mix of recovery activities at

Metro transfer stations, particularly at MCS, and may result in discontinuing certain activities and emphasizing others. Given the still evolving nature of recovery activities at MCS, it would be desirable to have the information being developed from the characterization study, and the program and policy direction which will come from the plans currently being developed, before we rebid current operations contracts at Metro transfer stations.

PRICE COMPARISON AND REBIDDING

The MSS has a current average price of $4.30 per ton. It escalates annually at 80% of the CPI. The BFI contract price is set by the put-or-pay amount, which results in an average per ton price of $9.82.

In examining what is a reasonable price for transfer at these two very different facilities, information from other jurisdictions was sought. Comparable transfer station operation and maintenance information was found for Seattle's publicly-owned and operated transfer station, and for the publicly owned and privately operated station in Hennepin, Co., Minnesota. Other jurisdictions contacted were unable to separate transfer station costs from transport or disposal.

The Seattle station is a pit design with compaction for long haul similar to MSS. The per ton rate is approximately $8.39 for transfer. The Hennepin, Co. station is a pit design where waste is top loaded into trailers, its rate is approximately $6.27. Neither of these jurisdictions perform significant materials recovery at transfer stations.

Staff also analyzed the previous contract for the operation of Metro South and inflated the prices per the contract. The analysis indicates that current prices for Metro South are approximately 12% lower than the previous contract would have been if it were continued.

In addition, we compared prices from the proposed Wilsonville station (which would have had some materials recovery) and the recently negotiated Forest Grove franchise. The Wilsonville station, operating at full capacity, would yield a per ton rate of $10.51 (excluding capital costs). The Forest Grove station operating at full capacity is $11.96 without capital costs.

Averaging these five rates yields a per ton rate of $8.40 per ton. Metro South at $4.30 per ton is the lowest rate found in our analysis. Metro Central at its current $9.82 is at the upper range of our analysis. Averaged, our current transfer rate is about $6.96. This average does not include Metro's share of maintenance costs at Metro Central, which would increase the average by about $.30 per ton.

Given the unused capacity at MCS under the current put-or-pay arrangement, preliminary discussions were conducted with the operator regarding prices for the period beyond the initial three years. These discussions indicate that savings of approximately two dollars per ton are available over what would be contractually required in 1995, with BFI responsible for all maintenance costs. Averaged with MSS, our transfer rate would fall to approximately $6.42 per ton after October 1994. If we were to continue the MCS contract past October 1994, under the current contractual conditions, our combined transfer rate would rise to approximately $7.50 per ton due to the effects of the put-or-pay arrangement and the expiration of the maintenance change order discussed above.

In order to examine the effect rebidding the contracts would have on prices, staff speculated on the outcomes of three possible scenarios. First, each contract could be rebid separately, assuming Metro exercises its option to terminate MCS in October 1994, and does not extend MSS past December 1994. Secondly, the current MCS contract would be terminated to coincide with the expiration of MSS, and the two could be bid as a package, with new contracts effective January 1995. The third option would be to extend the MSS contract until October 1996, renegotiate prices at MCS as discussed above for the remainder of contract (while retaining the option to terminate), and then bid the two as a package effective November 1996.

Both the second and third options assume a reduction in prices of 7% due to bidding the two stations as a package. The reduction is possible due to having a single contractor operating both stations who would be able to share resources between the stations. For example, less administrative and maintenance personnel would be needed since they could be utilized by both facilities. Per unit costs for outside services and supplies (such as fuel) may be reduced due to increased volume. Cost savings should be available generally due to economies of scale.

Option #1 - Rebid both contracts separately at earliest opportunity.

The MCS contract could be terminated in October 1994. The current price is in the upper range of transfer costs, attributable mainly to the put-or-pay aspects of the contract, the complexity of operations and maintenance requirements of the materials recovery systems, and the cost of purchasing all new rolling stock during the term of the contract. It is expected that prices could be reduced through rebidding. The above analysis indicates that a rate of $8 to $9.50 per ton would be an expected rate.

MSS's current contract can be terminated in December 1994. Staff found no evidence that rebidding the contract would lower the rate. Since the station is less complex than operations at MCS and has fewer operating hours, a rebid would probably result in a slightly higher rate, in the range of $4.25 to $5.50 per ton.

The average rate would be $6.13 to $7.50 per ton. Bidding separately forgoes any potential savings available by combined operations.

Option #2 - Rebid both contracts as a package at earliest opportunity.

Both stations could be bid as a package effective January 1995. It is expected that doing so could reduce total prices by approximately 5% to 10% below separate procurements due to economies of scale (7% is used here). Such economies would include reduced overhead, shared maintenance, equipment and labor resources, and flexibility. A transfer station rate for Metro could be in the $5.70 to $6.98 per ton range.

Option #3 - Renegotiate MCS prices, extend MSS until October 1996, then rebid both.

Staff believes that a combined transfer rate of approximately $6.42 per ton is achievable. This option has the additional advantage of solidifying operational requirements of the materials recovery activities at MCS, which should result in a lower price when rebid as a package in 1996, since uncertainty will be reduced for bidders. It is also contemplated that it would be in Metro's best interest to sell the rolling stock to BFI during the remaining two years of the contract, since BFI can take advantage of depreciation, while Metro cannot. This would reduce the combined rate to approximately $6.27 per ton.

The effects of pursuing each of the three options is depicted in the chart below.

		Option #1 Range *		Option #2 Range *		Option #3 Range	
Year	Tonnage	$6.13	$7.50	$5.70	$6.98	$6.27	$6.42
1995	753,155	$4,616,840	$5,648,663	$4,292,984	$5,257,022	$4,698,163	$4,818,652
1996	779,294	$4,944,270	$6,049,270	$4,597,445	$5,629,854	$4,855,275	$4,980,046
1997	799,787	$5,251,889	$6,425,639	$4,883,485	$5,980,128	$4,808,550	$4,932,120
1998	815,527	$5,542,681	$6,781,420	$5,153,879	$6,311,242	$5,074,795	$5,205,207
1999	832,334	$5,854,900	$7,163,418	$5,444,198	$6,666,754	$5,360,659	$5,498,417
Total Expenditures under each option		$26,210,580	$32,068,409	$24,371,991	$29,844,999	$24,797,442	$25,434,44
Ave. Expenditures			$29,139,494		$27,108,495		$25,115,942
		Per ton	$7.32		$6.81		$6.31
Difference from lowest average			$4,023,552		$1,992,553		
Difference from highest of each Optio			$6,633,966		$4,410,557		
Difference from lowest of each Optio		$1,838,589				$425,451	

* Options 1 & 2 assume an annual escalation of 3.5%, beginning in 1996.

** For option #3, the first two years use existing contract assumptions, with renegotiated prices for MCS. The third year assumes 1996 prices can be reduced by 3.5% due to bidding as a package (7% savings reduced 3.5% due to inflation) and improved specifications. The fourth and fifth years assume a 3.5% escalation.

The chart shows that Option #3 has the lowest average price and that over the next five years it could save approximately $2 million over Option #2. If Option #2 were pursued and bids came in at the upper range, Metro would spend approximately $4 and half million more than the highest price in Option #3, or ten times more than the potential savings if the low range of Option #2 is compared to the low range of Option #3.

If options 1 or 2 are pursued, staff is unsure of how to deal with the issue of Metro's rolling stock. The equipment has probably no more than 3 years of useful life with significant maintenance costs. If Metro retained ownership under a five year contract, Metro would probably be responsible for replacement during the contract term, while entering into disputes with the contractor over how much maintenance is required. If, under options 1 or 2, Metro requires the contractor to take ownership of the current rolling stock and provide replacements which they own, it is unclear what the effect on prices would be since the contractor would be unable to fully depreciate the equipment (the normal cycle is 5 years), but yet would enjoy the salvage value of the current equipment after 2 or 3 years.

The prices estimated in options 1 and 2 reflect that potential bidders assume that the contracts awarded would be five years in length, as the prices from which they are derived are/were at least that length. Staff is unsure if prices would be higher if the MCS contract is viewed as a three year contract. One effect to bidders, as mentioned above, is less time to depreciate equipment that can be a sizable investment. This may not concern larger firms which can move equipment from one project to another, however smaller firms may not be willing to absorb such risk. In addition, firms may be unlikely to pass on all of the savings from combined bids for both stations for the full five years. By exercising the option to terminate the MCS contract after three years, prices received in subsequent bids maybe higher than expected.

RECOMMENDATION

It is recommended that Metro negotiate a reduction in price with BFI, acceptable to staff, and continue their operation of the station past October of 1994 while retaining the option to terminate as currently contained in the contract, as well as extend the WMO contract until October 1996. This action will permit Metro to develop its facilities needs for the future, reduce the overall transfer costs, and allow further refinement of the operations at MCS, while positioning to bid the stations as a package.

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NOTE: This table is an update of the table presented in the memo from Bob Martin, Solid Waste Director of June 14, 1994 regarding "Discussion of Options for Operations Contracts for Metro Transfer Stations". The updated information under Option #3 reflects updated assumptions and minor corrections in the previous analysis. As a result of the update, $7.54 should be substituted for $7.50 on page 4 of the memo.

Year	Tonnage	Option #1 Range *		Option #2 Range *		Option #3 Range **	
		$6.13	$7.50	$5.70	$6.98	$6.37	$6.56
1995	753,155	$4,616,840	$5,648,663	$4,292,984	$5,257,022	$4,775,936	$4,917,049
1996	779,294	$4,944,270	$6,049,270	$4,597,445	$5,629,854	$5,051,726	$5,197,853
1997	799,787	$5,251,889	$6,425,639	$4,883,485	$5,980,128	$5,003,111	$5,147,831
1998	815,527	$5,542,681	$6,781,420	$5,153,879	$6,311,242	$5,280,128	$5,432,862
1999	832,334	$5,854,900	$7,163,418	$5,444,198	$6,666,754	$5,577,558	$5,738,895
Total Expenditures under each option		$26,210,580	$32,068,409	$24,371,991	$29,844,999	$25,688,459	$26,434,491
Average Expenditures* **			$29,139,494		$27,108,495		$25,688,459
		Per ton	$7.32		$6.81		**$6.45**
Difference from **lowest** average			$3,451,036		**$1,420,036**		
Difference from **highest** of each Option			$5,633,918		**$3,410,509**		
Difference from **lowest** of each Option		$1,838,589				**$1,316,468**	

* Options 1 & 2 assume an annual escalation of 3.5%, beginning in 1996.

** For option #3, the first two years use existing contract assumptions, with renegotiated prices for MCS. The third year assumes 1996 prices can be reduced by 3.5% due to bidding as a package (7% savings reduced 3.5% due to inflation) and improved specifications. The fourth and fifth years assume a 3.5% escalation.

***For Option #3, the lower price is used since this is the negotiated price reflecting the equipment sale contemplated under Change Order No. 15 to the MCS contract.

STAFF REPORT

CONSIDERATION OF RESOLUTION NO. 94-2003 FOR THE PURPOSE OF AUTHORIZING AN EXEMPTION TO THE REQUIREMENT OF COMPETITIVE BIDDING PURSUANT TO METRO CODE 2.04.041, AND AUTHORIZING EXECUTIVE OFFICER TO EXTEND THE CURRENT OPERATIONS CONTRACT FOR METRO SOUTH STATION TO NO LATER THAN OCTOBER 1, 1996

Date: August 22, 1994 Presented by: Jim Watkins

Proposed Action

Adopt Resolution No. 94-2003 to permit the Executive Officer to extend the current operations contract for Metro South Station to no later than October 1, 1996.

Factual Background and Analysis

The current operations contract for Metro South Station (MSS) expires December 31, 1994. However, the length of the contract may be extended at Metro's option for a period of up to 2.5 years. As discussed in Attachments Nos. 1 and 2, it has been determined that it is in the public interest to extend the contract until October 1, 1996, at which time it will be rebid together with the operations contract for Metro Central Station (MCS).

In order to extend the MSS contract, the Metro Contract Review Board must exempt the extension from the competitive bid process. Under Metro Code Section 2.04.041(c) and ORS 279.015(2), the board may, by resolution, exempt certain contracts from competitive bid requirements, if it finds as follows:

(a) It is unlikely that such exemption will encourage favoritism in the awarding of public contracts or substantially diminish competition for public contracts; and

(b) The awarding of public contracts pursuant to the exemption will result in substantial cost savings to the public contracting agency. In making such finding, the director or board may consider the type, cost, amount of the contract, number of persons available to bid and such other factors as may be deemed appropriate.

In addition, ORS 279.015(5) states that the board shall:

(a) Where appropriate, direct the use of alternate contraction and purchasing practices that take account of market realities and modern or innovative contracting and purchasing methods, which are also consistent with public policy of encouraging competition.

(b) Require and approve or disapprove written findings by the public contracting agency that support the awarding of a particular public contract or a class of public contract, without competitive bidding. The findings must show that the exemption of a contract or class of contracts complies with the requirements of paragraphs (a) and (b) of subsection (2) of this section.

The findings in support of an exemption from public bidding requirements for the extension of the Metro South Station operations contract are contained in Exhibit "A" to Resolution No. 94-2003.

Budget Impacts

The FY1994-95 budget for operation of MSS is $1,674,000. The estimated budget for the period of July, 1995 through September, 1996 is $2,262,847. The latter estimate assumes standard inflation adjustments currently contained in the contract.

Executive Officer's Recommendation

The Executive Officer recommends adoption of Resolution No. 94-2003.

CG:clk

SOLID WASTE COMMITTEE REPORT

CONSIDERATION OF RESOLUTION NO.94-2003, FOR THE PURPOSE OF AUTHORIZING AN EXEMPTION TO THE REQUIREMENT OF COMPETITIVE BIDDING PURSUANT TO METRO CODE 2.04.041, AND AUTHORIZING THE EXECUTIVE OFFICER TO EXTEND THE CURRENT OPERATIONS CONTRACT FOR METRO SOUTH STATION TO NO LATER THAN OCTOBER 1, 1996

Date: September 14, 1994 Presented by: Councilor Hansen

Committee Recommendation: At the September 13 meeting, the Committee voted 5-0 to recommend Council adoption of Resolution No. 94-2003. Voting in favor: Councilors Buchanan, Hansen, McFarland, McLain, and Monroe. Councilor Wyers was absent.

Committee Issues/Discussion: Jim Watkins, Solid Waste Engineering and Analysis Manager, presented the staff report. He noted that staff had presented a paper to the committee in June which outlined potential options for addressing the operating contracts at Metro South and Metro Central. (Metro has the option of rebidding the Metro Central as early as October 1994 and the Metro South contract expires in December 1994 with Metro having the option of extending the existing contract for up to 30 months.) Watkins noted that the committee encouraged the staff to pursue the option under which the existing Metro South contract would be extended and staff would attempt to renegotiate the Metro Central contract with terms that would be more favorable to Metro.

The purpose of Resolution No. 94-2003 is to authorize the Executive Officer to extend the current Metro South contract to October 1, 1996 which would coincide with the expiration of the existing Metro Central contract. Extention of the contract requires approval by the Contract Review Board. Watkins noted that such an extension would give Metro the flexibility to rebid both contracts as a package or separately.

Watkins noted that extending the existing Metro South contract would allow Metro to continue to benefit from the very favorable terms of the existing contract. He explained that the original per ton disposal cost bid by Waste Management under the existing contract was 20 percent lower than the next lowest bidder. Costs under the existing are 12 percent lower than they would have been under the prior contract.