

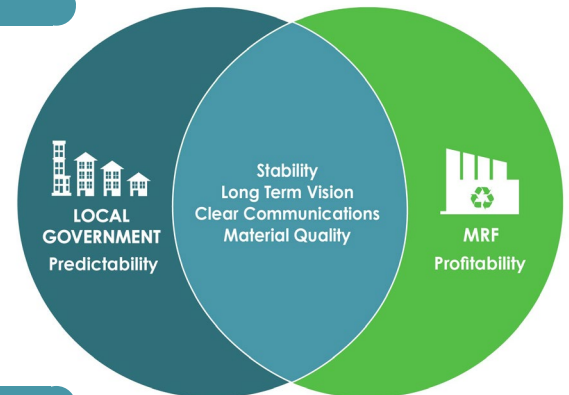
MATERIAL RECOVERY FACILITIES CONTRACTS

Developing Strong, Sustainable “Win-Win” Agreements
between Local Governments and Material Recovery Facilities

Introduction

About four of every five Material Recovery Facilities (MRFs) in the country are privately owned, while the majority of curbside collection services are operated by or contracted through public agencies. Within this highly privatized MRF infrastructure, the best MRF services contracts address the individual and shared needs of both the local government and the MRF.

This fact sheet summarizes The Recycling Partnership's [2020 Guide to Community Material Recovery Facility Contracts](#) and provides local governments with key considerations for developing MRF contracts that lead to long-term success.



Scoping a Procurement Process

A sound procurement process begins with two preliminary exercises:

Identify Local Goals and Objectives



Involve critical internal stakeholders early in the process to ensure all perspectives (budget, purchasing, legal, elected official input, etc.) that could inform the procurement process and contract are considered at the outset.

Recognize the Link between Bids and Contracts



Procurement and contracting are two sides of the same coin. The design of the procurement documents should anticipate the development of similar contract clauses that will reflect the final proposal or bid.

Contracting Considerations

Take time to understand the options. Choose an approach that best fits the local government's goals and objectives.

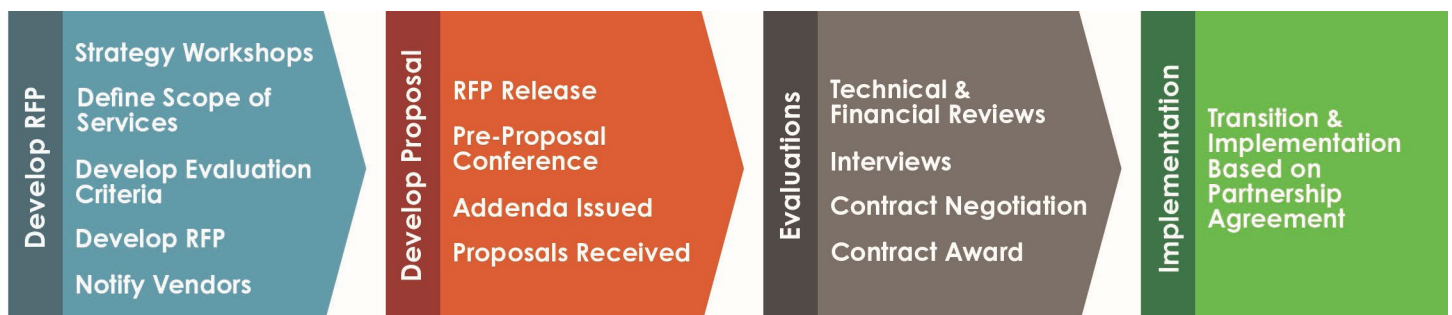
Procurement and Contracting Alignment – Determine what role the local government should play. Local governments have the option of owning the land, facility and/or related equipment. Alternatively, those components can be the responsibility of private service providers. The best fit for a local government will be identified during the stakeholder goal and objective discussions outlined above.

Types of Procurements – Local governments have a choice of familiar instruments to solicit proposals from MRF service providers, including a Request for Interest (RFI), Request for Qualifications (RFQ), Request for Bids (RFB), and Request for Proposals (RFP). Some of these approaches can be used in combination. For example, an RFI or RFQ can be used to identify parties who might respond to an RFP and to flag some potential adjustments to the RFP before it is released. An RFP allows the most flexibility to both proposers and the local government in making contract decisions.

Types of Contracts – In a Processing Service Agreement (PSA), local governments contract with a recycling company that owns and operates a facility at a location owned or leased by the company. With a Public-Private Partnership (P3) agreement, a local government and private recycling company collaborate to co-invest and share resources.

Contract Length – MRF contracts should be 7-10 years, generally aligning with the amortization schedules of best-in-class sorting equipment in the MRF. MRF contracts should also include renewal clauses that give local governments the option to sustain a good working relationship in lieu of another RFP process.

Key Milestones in the Process



11 Essential MRF Contract Elements

The most effective MRF bid documents and contracts include these 11 essential elements:



1. Processing Charges – Establish the necessity of processing charges to support MRF operations by calling them out directly and specifically in the procurement.



2. Revenue Sharing – All MRF RFPs and contracts should address if and to what degree revenue sharing is being applied to the business relationship, separate from processing charges.



3. Material Value Determination – The contract should point explicitly to mutually acceptable and transparent sources for determining material market value.



4. Acceptable Material Mix – Establish materials the MRF is obliged to process and detail procedures and conditions under which the material mix might change.



5. Material Audits – Set up regular, transparent procedures for assessing material to evaluate contamination rates, revenue sharing and MRF performance.



6. Contamination and Material Quality – Setting mutually agreed upon contamination standards in a MRF contract sets the stage for local governments to evaluate material quality.



7. MRF Performance – A MRF contract should convey clear and specific standards for the processing and marketing of delivered commodities.



8. Rejected Loads and Residue Disposal – Include explicit parameters for what constitutes unacceptable loads, how they are handled and how MRF residues are managed.



9. Education and Outreach Support – MRF contracts are an increasingly important funding source for consistent local educational activities that can increase material tonnage and quality.



10. Contingencies – MRF services can be disrupted by a range of weather or other conditions and good contracts spell out plans for managing materials during disruptions.



11. Reporting and Communications – Ensure regular sharing of information between the contracting parties by detailing the schedule and specific mechanisms for communication.

The Recycling Partnership offers local governments general technical assistance and reviews of MRF contracts. Many communities also benefit from hiring a consulting services firm to develop the bid processes and documents. Consultants can bring broad experience in addressing the myriad aspects of MRF procurement and contracting and may even have industry relationships that can attract a wider pool of potential bidders.

Helpful Resources

For more information on how to establish effective MRF processing contracts, please visit the [2020 Guide to Community Material Recovery Facility Contracts](#) to download the report.

The [Joint Advisory on Designing Contracts for Processing of Municipal Recyclables](#), provided by the Solid Waste Association of North America (SWANA) and National Waste and Recycling Association (NWRA), lists fundamental contract provisions and includes information on material composition (i.e., audits) and methods to determine material value.

In its [Scrap Specifications Circular](#), the Institute of Scrap Recycling Industries (ISRI) provides helpful guidelines for buying and selling processed scrap commodities.

[Resource Recycling](#) magazine offers unparalleled analysis of the evolving materials stream, market conditions, policy trends and more.

The Recycling Partnership offers [recycling-related tools, resources and information](#).

The 2015 [Solid Waste and Recycling Procurement Workshop](#) presentation provides detailed information on the MRF procurement and contracting process.