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**TO:** Board of Commissioners  
**FROM:** Sarah Reeves, Executive Director  
Jen Holliday, Director of Public Policy and Communications  
Josh Estey, Director of Compliance and Safety  
Kayli Barber, Project Manager  
**DATE:** May 16, 2024  
**RE:** MRF Construction Contract Award

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The new Materials Recycling Facility project is the largest infrastructure project in CSWD’s history. This facility, to be built on District-owned property on Redmond Road in Williston, will replace the existing Materials Recycling Facility (owned by CSWD and operated by Casella) located on Avenue C in Williston. If the construction contract is awarded at the May 2024 Board of Commissioners meeting, the work will commence immediately so as to meet the March 3, 2025 deadline for “substantial completion” of the building. This date is critical to meet so that BHS can begin the installation of the recycling sorting system equipment. With the March deadline met, the new MRF will begin acceptance testing by the first week of June, 2025 with full commissioning by August 2025.

### **Selection Process**

AES Northeast, architecture firm for CSWD, issued Project Number 5265: Material Recycling Facility on March 22, 2024. The solicitation was emailed to potential respondents and posted to the Vermont Business Registry website. Nine firms participated in the site walkthrough on April 2, 2024, and three firms submitted proposals. All three firms were deemed qualified, and the proposals were considered responsive. Highlights of the Scope of Service include\*, among other responsibilities:

- Earthwork (excavating, grading, grubbing, etc.)
- Road construction
- Building construction, including painting, interior finishes, and signage
- Mechanical systems installation (electricity, heat, water, wastewater, fire suppression)
- Landscaping

*\*Not included in the scope of service is the installation of the recycling sorting system equipment. This equipment will be installed by the equipment manufacturer, Bulk Handling Systems.*

Responses were received from:

<b>Firm</b>	<b>Location</b>	<b>Fee Proposed</b>
ReArch Company	South Burlington, VT	\$14,801,000
Neagley & Chase Construction Company	South Burlington, VT	\$15,880,500
Farrington Construction Company	Shelburne, VT	\$16,385,926

The original timeline for a new MRF was to have had the facility constructed and commissioned by late 2020. The Covid-19 pandemic interrupted the process for two years and added significant cost to the project. Sarah Reeves reviewed an internal project cost estimate (prepared by AES Northeast) with the CSWD Executive Board on January 24, 2024. At that meeting, Executive Director Reeves reviewed the construction estimate of \$14,700,000, highlighted the key areas of the estimate that constituted the bulk of the costs (earthwork, concrete, and steel) and discussed the strategy staff was using to bring the cost down.

AES worked closely with the CSWD MRF team (Sarah Reeves, Jen Holliday, Josh Estey, Kayli Barber, and Tony Barbagallo) to review the proposals, and together selected two firms for in-person interviews. The evaluation team interviewed ReArch Company and Neagley & Chase, and both firms brought Value Engineering ideas to the table.

<b>Firm</b>	<b>Fee Proposed</b>	<b>After Value Engineering</b>
ReArch Company	\$14,801,000	\$14,491,959
Neagley & Chase Construction Company	\$15,880,500	\$15,353,700
<i>Difference between proposals</i>		<i>\$861,741</i>

We are verifying a few more items in the ReArch proposal where costs might be adjusted, which could provide savings of an additional \$150,000. One difference not reflected in the fee proposal is ReArch's confidence that they will be able to meet the March 3, 2025 deadline by offering to add liquidated damages to the contract.

References were contacted for ReArch, and all were very positive. Each reference contacted said they would work with ReArch on future projects. AES Northeast recommends ReArch Company be awarded the contract, and the evaluation team agrees. Everyone was very enthused after the interview and are confident in the recommendation. ReArch is ready to begin immediately should the Board of Commissioners authorize contract negotiations commence.

### **Construction Funding**

We will continue to seek grant opportunities, but in the event our efforts are unsuccessful, CSWD has sufficient funds in our reserves to cover the costs of constructing the MRF. No additional debt service will be needed to pay for the MRF. As of March 31, 2024 we have just under \$16,000,000 in unrestricted reserves. If we were to not cut anything from our capital plan, we would still have sufficient funds to pay for each planned project.

*However, we will be re-examining our capital spending outlook for the next five years* and reprioritizing projects with a stronger eye towards ROI. For example, we're investing approximately \$80,000 to revamp the Drop Off Center in Burlington so that we can resume accepting trash. This investment will be recovered within one fiscal year, an excellent Return on Investment even given the short-term expectation of operations on Pine Street. Other capital investments have much longer ROI horizon, and those are the projects that may be pushed out to later years or eliminated altogether.

### **New MRF Revenue Sufficiency**

In February 2022 the Board heard from SCS Engineers regarding their projections for future revenue sufficiency of the new MRF. This analysis showed the new MRF will generate revenue sufficient to cover the costs of its operations and the bond debt repayment. Since that analysis several factors have been adjusted, all to the positive for the outlook of revenue sufficiency:

- Tip fee increased from \$75/ton to \$90/ton
- Average Commodity Revenue assumption increased from \$80/ton to \$100/ton
- Bond debt repayment structured as interest-only for first four years

The full impact of the bond repayment will not "hit" the MRF books until Year Two of operation because we've structured our loan as an interest-only repayment for the first four years of the loan. This was done to ensure that the new MRF had time to work through the first 12 months of fine-tuning to where we consistently produce the same quality bale each time, receiving full value on the market. During this period the current and future MRF will generate revenue in excess of expenses which can be directed to the capital reserve, the operating reserve, or we can establish a tip fee reserve. Operations options yet to be decided may also contribute positively to the financial stability of the new MRF.

**BE IT RESOLVED that the Board of Commissioners authorizes the Executive Director to negotiate a contractual agreement with ReArch Company, located in South Burlington, Vermont for services specific to Project Number 5265: Material Recycling Facility for an amount not to exceed \$14,500,000. A contingency of 5% of the construction project fee proposal (\$725,000) shall be authorized, expended only with the approval of the Executive Director.**