

The Corporation of the City of Kawartha Lakes

Council Report

Report Number PUR2018-001

Date: January 30, 2018
Time: 2:00 p.m.
Place: Council Chambers

Ward Community Identifier: All

Subject: Request for Proposal 2011-28-OP Waste and Recyclables
Collection Renewal

Author Name and Title: Marielle van Engelen, Buyer
Shayne Hartin, Supervisor, Solid Waste Services

Recommendation(s):

RESOLVED THAT Report PUR2018-001, **2011-28-OP Waste and Recyclables Collection Renewal**, be received;

THAT the City award the first and second one-year extensions for Waste and Recyclables Collection with Miller Waste Systems Inc., from September 24, 2018 to September 23, 2020;

THAT the agreement with Miller Waste Systems Inc. be amended to remove section 17.2 Diesel Fuel Price Adjustment;

THAT due to an increase in recycling material resulting from the Clear Bag Program, Miller Waste Systems Inc. be compensated for additional haulage costs at a rate of \$513.48 per load in excess of an average of 604 loads per year;

THAT Miller Waste Systems Inc. be compensated for additional vehicle maintenance costs at an annual rate of \$59,000; and

THAT the Mayor and Clerk be authorized and directed to execute all associated documents related to the extension of the Waste and Recyclables Collection Program.

Department Head:_____

Financial/Legal/HR/Other:_____

Chief Administrative Officer:_____

Background:

At the Council Meeting of July 26, 2011, Council adopted the following resolution:

Karen Buckley, Buyer
2011-28-OP Waste and Recyclables Collection

T-FIN2011-038

MEMORANDUM

(Referred from the July 12 Council Meeting – Item 10.3.5)

Moved by Councillor Macklem , seconded by Councillor McGregor,
RESOLVED THAT Report T-FIN2011-038, "2011-28-OP Waste and Recyclables Collection", be received;

THAT the highest scoring proponent, Miller Waste Systems Incorporated, of Markham, be selected for the award process for Request for Proposal 2011-28-OP for Waste and Recyclables Collection;

THAT subject to receiving a favourable final and best proposal and receipt of the required documents, the Mayor and Clerk be authorized to execute the contract with the expiry date of 2018, with the option to renew for one year, 2019 and the option to renew for a second year, 2020, to award this Request for Proposal; and

THAT a by-law be forwarded to authorize the execution of the agreement between Miller Waste Systems Incorporated and the City of Kawartha Lakes for Waste and Recyclables Collection.

CARRIED CR2011-933

This report addresses the option to renew the contract per the resolution above.

The City has developed a positive working relationship with Miller Waste Systems Inc. (Miller) over the initial term of the contract. During this time, the City implemented a Clear Bag Waste Collection program which resulted in an approximate 11% increase of curbside recycling material and an approximate 20% reduction in the amount of curbside waste sent to the landfill. Miller Waste Systems Inc. worked with the City to ensure the successful implementation of the program. In addition, Miller Waste Systems Inc. has helped develop and participate in a semi-annual curbside battery collection program at no cost to the City. The City is satisfied with the performance of Miller Waste System Inc. Considering the anticipated changes in legislation, and in working in good faith, staff recommends extending the current contract for a two-year period in accordance with the terms outlined in this report.

In November 2016, the Waste Diversion Act was repealed and replaced by the Waste-Free Ontario Act, which includes both the Waste Diversion Transition Act and the Resource Recovery and Circular Economy Act. Subsequently, in August 2017, the Ontario Minister of The Ministry of Environment and Climate Change (MOECC) issued a letter directing Stewardship Ontario and the Resource Productivity and Recovery Authority (the Authority), to prepare an amended Blue Box Program Plan by February 15, 2018.

The amended plan will transition the program from its current shared cost model to full producer responsibility pursuant to Section 13 of the Waste Diversion Transition Act (WDTA). Stewardship Ontario's proposal for the amended plan must be developed jointly with the Authority in consultation with stewards, municipalities and other key stakeholders.

The amendment to the Blue Box Program will change how the City operates its recycling program and what products are collected. The new legislative changes are intended to ensure that the producers of the recyclable materials will be responsible for 100% collection and material recovery costs. Currently the City is funded 50% for recyclables collection and processing. As a result of the legislation, our existing contract for the collection of waste and recyclables with Miller Waste Systems Inc. and the material recovery contract with Northumberland will be impacted. As the province has yet to finalize the program's details, the extent of how this will affect the collection of recyclables is unknown.

Although it is expected that the province will draft and post the amendment for public comment on the Environmental Registry in February 2018, it could take some time before the amendment is passed. This timing is dependent on public and private input and the MOECC's consideration of this input. Therefore, until the MOECC has reviewed the public comments, what the final amendment will actually look like remains unknown. In the interim, it would be difficult and potentially very expensive for a municipality to tender a short-term contract for collection not knowing what actual details the law will require.

In discussions with Stewardship Ontario and the Association of Municipalities of Ontario (AMO), they have advised municipalities with collection contracts ending in the next year or two to extend their existing collection contracts for a one to two-year period. This should allow sufficient time for the new legislation and transition process to be developed. As a result, additional costs associated with terminating a contract no longer in compliance with current legislation will be avoided. A short term extension will also allow for a timely transition into the new collection and recovery process which is eligible for 100% funding, ensuring that the City does not jeopardize the opportunity for full funding.

The City has engaged in preliminary discussions with Miller regarding the extension of the current contract. It is important to note that Miller's service delivery performance has been excellent throughout the duration of their contract (which ends September 23, 2018). In particular, Miller Waste has been very cooperative in working with the City for the successful implementation of the Clear Bag program.

Implementation of the Clear Bag program has changed the ratio of waste to recycled material collected; the amount of recycled material collected and being hauled to the Material Recovery Facility (MRF) in Northumberland has increased by approximately 11%.

The original portion of the contract for transportation of recyclables to the MRF utilized historical quantities for bidders to provide a lump sum contract amount (\$310,145.54). Due to the clear bag program, the number of trips to the MRF has increased thereby costing Miller Waste Systems Inc. additional expense.

The Rationale section provides supporting documentation for the recommendations in this report.

Rationale:

In discussions with Miller regarding the contract extension, they mentioned several factors over which they have no control, that have impacted the viability of the contract. They have asked the City to work with them in good faith in order to continue the positive working relationship.

Using the average cost per load as calculated by the City, Miller has requested compensation for each load of recycling material delivered to the MRF in excess of the quantity identified in the original contract. The City's estimate is \$513.48 per truck, which is based on a three-year annual average of 604 loads per year transported to the MRF at the given annual cost of \$310,145.54. The implication of this change depends on the amount of recycled material requiring transfer to the MRF. The projected amount is approximately \$34,000 per year starting September 24, 2018, based on an additional 66 truckloads per year going to the MRF. Although there are additional costs for transportation to the MRF, the extra costs are easily justified through deferred utilization of landfill space. At an annual average of 6618.32 tonnes per year of recyclables going to the MRF via 604 truckloads, each truckload contains approximately 11 tonnes. An additional 66 truckloads per year as a result of the clear bag program, would equate to approximately 726 tonnes of recyclables not going to landfill from just curbside collection. At \$150/tonne, deferred landfill space savings are valued at \$109,000 per year for just curbside collection. If we also factor in the additional consumer and commercial recycling drop-off at the landfill as a result of the clear bag program, and the fact that overall landfill tonnages have been reduced by 20%, the total deferred landfill space savings are significantly higher and exceed \$500,000 (half a million dollars) per year.

Miller Waste Systems Inc. also expressed concern that the trucks used for this contract are nearing the end of their life cycle. Trucks in this condition have increased maintenance costs. Miller will not replace those vehicles without a longer-term commitment from the City. Therefore, working in good faith, the City is proposing to share 50% of the projected \$118,000 increase in annual maintenance costs (\$59,000 per annum each).

Lastly, Miller has requested that the City consider removing section 17.2.1, Diesel Fuel Price Adjustment, from the contract. This item was not a requirement in the original request for proposal (RFP) but was included in Miller's RFP submission as an added value feature. The diesel fuel price adjustment was

based on the percentage change in fuel costs calculated by comparing the price paid by the City of Kawartha Lakes for its own fuel on the date of the commencement of the contract, September 26, 2011, to the current price of fuel. The price would be adjusted positively or negatively on a quarterly basis. Over time, the cost of fuel has increased and adjusting pricing, using rates from 2011 as a basis, has been providing the City with a credit each quarter. As such, staff agrees with removal of this clause.

Staff recommends that the City award the first and second one-year extensions for Waste and Recyclables Collection, with Miller Waste Systems Inc., from September 24, 2018 to September 23, 2020 in accordance with the recommendations of this report.

Other Alternatives Considered:

Through the preparation of this report, several alternatives were reviewed however staff is confident that the preferred recommendation is in the best economic interest of the City. As such, there are no other viable alternatives for recommendation.

Staff reviewed the possibility of extending the Miller contract one year at a time (with another report to council in 2018), however there are risks associated with this approach in relation to the legislative changes coming in the near future. As such, it was considered more secure for the City to have a locked-in contract with firm pricing for two (2) years. With legislated changes approaching, Staff is heeding the recommendation of the AMO to enter into the proposed contract extension until the details of the program are known.

Staff did consider tendering the collection contract for a short-term period of two years until the legislative changes became clearer. However, if a firm bid on a short two-year collection contract, they would have to charge significant additional costs to rationalize a new fleet of trucks dedicated to the City despite having no certainty of a long-term commitment from the City.

Having reviewed the merits and drawbacks of the above two alternatives, staff cannot support them and are recommending extending the existing current contract for two years as it is fair to Miller. This is in alignment with the original Council resolution and is deemed to be the most economical option for the City in the interim.

Financial/Operation Impacts:

The annual cost associated with the extension is funded through the 2018/2019 Operating Budget. Staff has accounted for the price increase within the 2018 operating budget; there is no additional impact from the extension of the contract. In 2017 the operational budget for garbage, recycling and yard waste was \$3,387,940. Staff is recommending approval of the additional costs of

transporting the recycling to the MRF (estimated at \$34,000), and the additional maintenance costs (\$59,000), for a total of \$93,000. This works out to a 2.7% percent increase in the total budget which is minor in comparison to the significant savings in deferred landfill space that the City continues to realize through the recycling initiatives implemented over the past year.

Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:

The recommendations in this report are consistent with Council's Adopted Strategic Plan, namely, Goal 3 – A Healthy Environment.

The recommendations will ensure that waste and recyclables are collected throughout the municipality in an environmentally compliant manner meant to ensure a healthy environment. As well, the recommendations will make certain that litter is minimized and landfill capacity is maximized. This will ensure the sustainability of waste management services for the public while remaining consistent with the City's Integrated Waste Management Strategy (Action item 3.1.2 under Healthy Environment).

Servicing Implications:

In order to facilitate efficiencies in the collection of increased recycling material, Miller Waste System Inc. has suggested a slight change to the waste and recycling pick up boundaries. This change will impact approximately 630 stops by moving those stops to a different day of the week. This change is proposed to take effect in the 2019 calendar year. A communication plan will be developed well in advance to ensure the residents affected are well-informed of the change. This change will also be reflected in the 2019 Recycling and Waste Calendar.

Consultations:

Manager of Environmental Services

Department Head E-Mail: brobinson@kawarthalakes.on.ca

Department Head: Bryan Robinson

Department File: 2011-28-OP