

<b>TO:</b>	<b>CHAIR AND MEMBERS CIVIC WORKS COMMITTEE MEETING ON SEPTEMBER 7, 2016</b>
<b>FROM:</b>	<b>JOHN BRAAM, P.ENG. MANAGING DIRECTOR, ENVIRONMENTAL &amp; ENGINEERING SERVICES &amp; CITY ENGINEER</b>
<b>SUBJECT:</b>	<b>EXERCISE RENEWAL OPTIONS CURBSIDE COLLECTION &amp; MATERIAL RECOVERY FACILITY OPERATIONS CONTRACTS – MILLER WASTE SYSTEMS</b>

### RECOMMENDATION

That on the recommendation of the Managing Director, Environmental & Engineering Services and City Engineer and on the advice of the Director, Environment, Fleet and Solid Waste, the following actions **BE TAKEN** with respect to the provision of curbside collection and Material Recovery Facility Operations services provided by Miller Waste Systems Inc.:

- a) The renewal of the contracts with Miller Waste Systems Inc. for the collection of recyclables in London and the collection of garbage and yard materials in the southwest portion of the city, including Lambeth, Riverbend and Settlement Trail, and Material Recovery Facility operations, for one (1) year from October 30, 2017 to October 30, 2018, as provided in the existing, amended agreements in accordance with Procurement of Goods and Services Policy, Section 8.5 a. v, and Section 20.2. **BE APPROVED**; and
- b) Civic Administration **BE AUTHORIZED** to undertake all administrative acts that are necessary in connection with this Report and the Agreements referenced herein.

### PREVIOUS REPORTS PERTINENT TO THIS MATTER

- Comments on Environmental Bill of Rights Registry – Proposed Waste Free Ontario Act and Draft Strategy for a Waste Free Ontario: Building the Circular Economy, February 2, 2016 meeting of the Civic Works Committee (CWC) Item #14.
- Blue Box Recycling Collection and Processing Contracts, July 21, 2014 meeting of the Civic Works Committee (CWC) Item #15.
- Outcome of Request for Proposal 11-01 Residential Waste Management Collection Services, June 14, 2011 meeting of the Community and Neighbourhoods Committee (CNC) Item #6.

### 2015 – 2019 STRATEGIC PLAN

Municipal Council has recognized the importance of waste diversion, waste management planning and job creation in its 2015-2019 - Strategic Plan for the City of London ([2015 – 2019 Strategic Plan](#)) in the following Areas of Focus:

#### **Building a Sustainable City**

- Strong and healthy environment

#### **Growing Our Economy**

- Diverse and resilient economy
- Diverse employment opportunities

#### **Leading in Public Service**

- Proactive financial management
- Excellent service delivery

<b>BACKGROUND</b>
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**PURPOSE:**

The purpose of this report is to recommend the renewal of contracts with Miller Waste Systems Inc. (Miller Waste), for the collection of recyclables in London and the collection of garbage and yard materials in the southwest portion of the city, including Lambeth, Riverbend and Settlement Trail, and Material Recovery Facility (MRF) operations for one (1) year from October 30, 2017 to October 30, 2018. This represents the execution of two (2) of four (4), six (6) month terms of renewal options as provided in the existing amended agreements.

The remaining extension periods would be the subject of a future report in September 2017. Most municipalities in Ontario are looking at short term contract renewals as the Provincial Government sorts out future funding, roles and responsibilities for recycling that will occur under the new legislation, *Waste Free Ontario Act*.

**CONTEXT:**

The City has three amended agreements with Miller Waste:

1. Collection of Blue Box recyclables, garbage and yard materials in the south-west portion of the city, including Lambeth, Riverbend and Settlement Trail,
2. Collection of Blue Box recyclables in the remaining portion of London
3. Operation of the MRF

The term of the amended agreements with Miller Waste expires October 30, 2017. Each of the agreements contain renewal options at the sole discretion of the City for an additional four (4), six (6) month terms. The maximum length of the existing contracts if all extensions are executed is October 30, 2019. The annual value of the services provided by Miller Waste is approximately \$7.8 million.

In accordance with the Procurement of Goods and Services Policy, Council approval is required to exercise contract renewal options within existing agreements where the renewal option exceeds \$2.0 million.

Although the term of the existing amended agreements with Miller Waste does not expire until October 30, 2017, should Committee and Council decide not to proceed with the recommended renewal, sufficient time is required for staff to prepare a Request for Proposals (RFP) for the services currently provided by Miller Waste. Further appropriate lead time would be required for the successful proponent to secure the necessary equipment to perform the services, specifically curbside collection vehicles.

As background information, the net cost to taxpayers of the recycling program is determined by adding up contractor service costs (contract prices), MRF amortization costs and costs for community outreach, City staff costs and any expenses. Deducted from this amount are recycling material revenues and payments from Waste Diversion Ontario (representing funds from industry stewards). In 2014 and 2015, the net costs were as follows:

	<b>2014</b>	<b>2015</b>
Gross Recycling Program Cost	\$9,902,900	\$9,691,300
Material Revenues and WDO Payment	\$6,627,200	\$6,135,600
Net Recycling Program Cost	\$3,275,700	\$3,555,700
Cost Per Household	\$19	\$20
Cost Per Tonne	\$129	\$152

<b>DISCUSSION</b>
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The rationale for executing the contract extensions with Miller Waste Systems is contained under 3 headings:

1. Existing Contract Pricing Consistent with Similar Municipal Comparators
2. Uncertainty Regarding Enactment and Development of Regulations under the Recently Passed *Waste Free Ontario Act*
3. Service Provider Performance

### 1. Existing Contract Pricing Consistent with Similar Municipal Comparators

Staff have compiled the most recent recycling collection cost (contract prices) data from the Waste Diversion Ontario (WDO) DataCall (2014 as 2015 is not available at this time) for two-stream Blue Box programs with at least 100,000 households (Table 1). The cost data for the different municipalities in this table are from reasonably similar two stream recycling programs however it is important to note that understanding the differences (e.g., materials collected, frequency of collection, portion of multi-residential stops, etc.) is also very important.

As shown in Table 1, London has the third lowest cost per household and the fourth lowest cost per tonne of the eight municipalities. Overall, this table suggests that London collection costs are about average to slightly lower than those in the Province for a large municipality with two stream Blue Box collection. It should be noted that collection costs account for approximately 65% of the annual contract services provided by Miller Waste.

**Table 1 – Summary of 2014 Blue Box, Two Stream, Collection Costs (not including Revenues and WDO Payment)**

Program Name	Total Residential Collection Costs	Total Households Served	Residential Collection Costs per Household (\$/hhld)	Marketed Recyclables (Tonnes)	Residential Collection Costs per Tonne (\$/Tonne) (c)
Essex-Windsor (a)	\$3,878,939	164,356	\$24	23,925	\$162
Ottawa	\$10,878,194	392,877	\$28	61,801	\$176
<b>London (b)</b>	<b>\$5,030,242</b>	<b>171,987</b>	<b>\$29</b> <b>(3<sup>rd</sup> lowest)</b>	<b>25,375</b>	<b>\$198</b> <b>(4<sup>th</sup> lowest)</b>
Waterloo Region	\$6,763,775	203,930	\$33	34,184	\$198
Niagara Region	\$6,900,101	193,883	\$36	36,804	\$187
Simcoe County	\$5,552,541	135,549	\$41	24,571	\$226
Hamilton	\$9,353,657	220,995	\$42	38,984	\$240
Durham Region	\$10,263,582	218,757	\$47	46,430	\$221
<b>Average</b>			<b>\$34</b>		<b>\$201</b>

Notes:

(a) Recyclables are collected bi-weekly

(b) Recyclables are collected 42 times per year versus weekly (50 or 52 times per year)

(c) All other municipalities have weekly service (50 or 52 times per year)

The same evaluation of WDO DataCall recycling processing costs for municipal comparators cannot be made for the following reasons:

- Some municipalities such as London own their MRF and contract out the operation of the facility and some do not. In the case where the municipality owns the MRF, the WDO Datacall processing costs include factors such as facility and equipment amortization that are external to an agreement with a MRF operator. In London's case the contract with Miller Waste is based on a price per tonne to process Blue Box recyclables and includes performance incentives.
- There is significant variability in operating cost factors, building and MRF equipment such as age, and initial cost of the MRF that is being amortized.
- Municipalities do not typically provide for public distribution the specific details of their contract pricing for MRF operators because of the complexity of unit rates, mix of material being processed, incentive clauses, residual disposal arrangements, etc. City staff directly contacted some of the municipalities listed in Table 1 to discuss their contract pricing. The information provided confirmed that London's pricing compares favourably.

The cost for renewal of the existing contracts with Miller Waste for one year (i.e., October 30, 2017 to October 30, 2018) can be accommodated within the 2016-2019 multi-year budget.

## **2. Uncertainty Regarding Enactment and Development of Regulations under the Recently Passed *Waste Free Ontario Act***

*Waste Free Ontario Act* was passed by the Ontario Legislature in June 2016. The next step in the process is the development of draft regulations. This has the potential for significant impact on many programs and initiatives associated with recycling and other waste diversion in London.

Until such time as the draft regulations are ready for review, there remains a significant amount of uncertainty regarding potential impacts. Exercising the contract renewal options with Miller Waste for a one year period will allow time for City staff to obtain new information regarding potential impacts and build in appropriate amending clauses to any future exercised renewal options. It should be noted that, Miller Waste has committed to continue to work with the City to help with the understanding of technical and policy impacts on recycling that will occur as a result of the *Waste Free Ontario Act*.

Until such time as the impacts become clearer (currently expected within one year to 18 months according to provincial documentation), exercising the contract renewal options available at the discretion of the City with Miller Waste is the most prudent course of action. Undertaking a new RFP for these services is not recommended as entering into a new long term agreement without knowing potential impacts would only add significant risk and uncertainty to contractors and the City. Further, the nature of these types of service contracts would be cost prohibitive for short term contract arrangements for many contractors.

## **3. Service Provider Performance**

Miller Waste has and continues to meet the requirements of the contracts for the services they provide. This is further supported by the results of the recent Citizen Satisfaction Study Report prepared for the City, where 89% and 88% of respondents in 2015 and 2016, respectively, were either very satisfied or somewhat satisfied with the recycling collection services they receive. These numbers represent some of the highest scores for City services registered by Londoners.

<b>CONCLUSION</b>
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Renewal of three contracts with Miller Waste for the collection of recyclables in London and the collection of garbage and yard materials in the southwest portion of the city, including Lambeth, Riverbend and Settlement Trail, and Material Recovery Facility operations for one (1) year is recommended for the following reasons:

- Existing contract pricing is consistent with and can be considered on the lower end of similar municipal comparators;
- Developing and releasing a short term RFP for collection and processing services is likely to increase costs rather than contain costs due to the short term nature of a contract and the significant level of uncertainty with the new legislation and future regulations. Releasing a long term RFP is not advisable as many clauses would be required for exit requirements for both the municipality and the contractor should roles and responsibilities for recycling change under the new legislation. Working with a well-established service provider during this period is very advantageous to London and its partner municipalities;
- Miller Waste has and continues to meet the requirements of the contracts for the services they provide. This is supported by citizen satisfaction survey results. In some areas such as responsiveness and communications (curbside collection and MRF operations), Miller Waste has exceeded City staff expectations; and
- City staff time and/or expenditures on a technical consultant to assist with RFP document preparation and evaluation will not be required.

#### ACKNOWLEDGEMENTS

This report was prepared with assistance from Jana Corby, Solid Waste Planning Coordinator and Anne Boyd, Manager, Waste Diversion Programs. This report was reviewed by John Freeman, Manager, Purchasing and Supply and Anna Lisa Barbon, Director, Financial Services.

<b>PREPARED AND SUBMITTED BY:</b>	
<b>MICHAEL LOSEE, B.SC., DIVISION MANAGER, SOLID WASTE MANAGEMENT</b>	
<b>REVIEWED AND RECOMMENDED BY:</b>	<b>REVIEWED AND CONCURRED BY:</b>
<b>JAY STANFORD, M.A., M.P.A. DIRECTOR, ENVIRONMENT, FLEET &amp; SOLID WASTE</b>	<b>JOHN BRAAM, P.ENG MANAGING DIRECTOR, ENVIRONMENTAL &amp; ENGINEERING SERVICES &amp; CITY ENGINEER</b>

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- c Denis Goulet, Vice President & General Manager, Miller Waste Systems Inc.