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<b>TO:</b>	<b>CHAIR AND MEMBERS COMMUNITY AND NEIGHBOURHOODS COMMITTEE MEETING ON SEPTEMBER 13, 2011</b>
<b>FROM:</b>	<b>JAY STANFORD, M.A., M.P.A. DIRECTOR, ENVIRONMENTAL PROGRAMS &amp; SOLID WASTE</b>
<b>SUBJECT</b>	<b>CITY OF STRATFORD - REQUEST FOR PROPOSALS PROCESSING SERVICES FOR RECYCLABLE MATERIALS</b>

<b>RECOMMENDATION</b>
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That on the recommendation of the Director – Environmental Programs & Solid Waste, the following actions **BE TAKEN** with respect to responding to a Request for Proposals (RFP) to provide for Blue Box processing services to the City of Stratford:

- (a) the principles outlined in this report be used to establish pricing to respond to the RFP from the City of Stratford to provide for Blue Box processing services **BE APPROVED** it being noted that the report requested by Council for the principles to be used to establish pricing for RFPs and tenders from other municipalities requesting Blue Box processing services will be presented at a future Community and Neighbourhoods Committee meeting;
- (b) the Executive Director of Planning, Environmental and Engineering Services **BE DELEGATED** the authority to prepare and submit a bid to the City of Stratford no later than the last day identified in Stratford’s RFP document (currently identified as September 28, 2011);
- (c) the Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with this matter;
- (d) the Civic Administration **BE DIRECTED** to report back on the outcome of the RFP to the City of Stratford as part of a future update report on London’s Material Recovery Facility (MRF); and
- (e) subsequent to the outcome of Stratford’s RFP process, the Mayor and Clerk **BE AUTHORIZED** to execute all documents that are necessary in connection with this matter.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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Relevant reports that can be found at [www.london.ca](http://www.london.ca) under City Hall (meetings) include:

- Municipal Partner Agreements for Blue Box Processing Services, Community and Neighbourhoods Committee Meeting on August 16, 2011, Agenda #17
- Additional Information on RFP 08-03 Design, Construction And Operation of a Material Recovery Facility, Special Committee of the Whole Meeting on February 26, 2010, Agenda #1
- Additional Information on RFP 08-03 Design, Construction And Operation of a Material Recovery Facility, Special Board of Control (BoC) Meeting on February 22, 2010, Agenda #3
- Update On RFP 08-03 Design, Construction And Operation of a Material Recovery Facility, BoC Meeting on February 10, 2010, Agenda Item #16
- Design, Construction and Operation of a Material Recovery Facility and Related Program Changes, Environment and Transportation Committee Meeting on February 8, 2010, Agenda Item # 9
- Update on RFP 08-03 Initial Design of a Material Recovery Facility, BoC Meeting on November 18, 2009, Agenda Item #9
- RFP 08-03 Design, Construction and Operation of a Material Recovery Facility, BoC Meeting on June 3, 2009, Agenda Item #6

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**BACKGROUND**

**PURPOSE**

The operating agreement for the new London Regional Materials Recovery Facility (MRF) with Miller Waste Systems allows for the price to process Blue Box recyclables to decrease, at specified intervals, as the quantity of delivered Blue Box material increases. This provides an opportunity for the City and partner municipalities to save money by having other municipalities use the facility.

The purpose of this report is to seek approval for the Executive Director of Planning, Environmental and Engineering Services to prepare and submit a bid responding to a Request for Proposal (RFP) for Blue Box processing services from the City of Stratford.

**CONTEXT**

At its August 29 meeting, Council passed the following resolution:

*the Civic Administration **BE DIRECTED** to develop principles that would be used to establish pricing when responding to Request for Proposals or Tenders from municipalities seeking Blue Box processing services and report back at a future meeting of the Community and Neighbourhoods Committee.*

Staff will be bringing forward the requested report at a future CNC meeting.

We were advised on September 12, 2011 that the City of Stratford will release an RFP for processing Blue Box recyclables on September 13, 2011. We were also advised that the closing date for the RFP is September 28, 2011. The fifteen day period between release and closing of the RFP is a relatively short time period for an RFP of this type. This short timeline was not anticipated by City staff.

The only Council meeting between now and September 28 is on September 19 making the September 13 CNC meeting the only meeting that staff can come forward to get permission to submit a bid.

The amount of recyclables that require processing for Stratford is approximately 2,400 tonnes per year.

**DISCUSSION**

Background

Background information on municipalities that could potentially use the City's new MRF is presented in Appendix A.

Potential Savings

The operating agreement for the new regional MRF contains 168 different price points for processing recyclables depending on the quantity of material, the quality of material, and whether or not plastics bags are allowed to be used as a recycling container. The processing pricing ranges from less than \$50 per tonne to approximately \$100 per tonne within the 168 different price points.

A significant reduction occurs in the per tonne processing fee between 28,000 tonnes (quantity currently collected by the City) and 36,000 tonnes per year. There is approximately a \$20 per tonne drop in the unit processing price. Therefore the City could lower its recycling costs by \$20 per tonne or more than \$500,000 annually if other municipalities (with a combined amount of 8,000 tonnes of recyclables) also used the regional MRF. The City of Stratford could be a significant contributor towards these potential savings.

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Principles for Pricing

The principles that would be used to establish pricing when responding to Stratford's RFP are outlined in Appendix B. These principles take into consideration the need to offer a competitive price while ensuring City's costs are covered. These pricing principles will be used to ensure that there is no net increase to London residents; in fact the goal is to maximize overall financial benefit while offering a competitive price and strategic advantages to potential partner municipalities.

The price for processing the material is expected to decrease with time as more material comes to the new MRF however the pricing submitted to Stratford in the RFP will need to remain constant except for increases for inflation. Considering this, the proposed principles for pricing will result in a price that will cover all operation costs in the short term and provide funds towards capital replacement and administration costs as operating costs decrease.

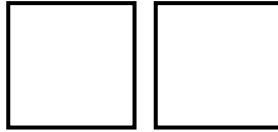
**ACKNOWLEDGEMENTS**

This report was prepared with assistance from Anne Boyd, Waste Diversion Coordinator and Mike Losee, Manager – Solid Waste Engineering.

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<b>PREPARED AND RECOMMENDED BY:</b>	<b>REVIEWED &amp; CONCURRED BY:</b>
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c      John Braam, P. Eng., Director of Water & City Engineer



## APPENIX A Background Information

### Area Municipalities Interested in Using the Regional MRF

It was previously reported that staff have provided information and had discussions with staff from a number of area municipalities about using the new regional MRF. Most of these municipalities, which have control over 14,000 tonnes of recyclables, have aligned their contracts to end within the first year of operation of the new regional MRF opening.

Some of these municipalities are willing to enter into direct negotiations with the City to sign an agreement to provide Blue Box processing services (Arrangement #1). Other municipalities are obligated by their purchasing policy to seek competitive pricing through a tender or request for proposal process (Arrangement #2)

### Arrangement #1 - Negotiated Agreement

At its August 29 meeting, Council approved a standard agreement for Municipalities wanting to use the facility, delegated the Executive Director of Planning, Environmental and Engineering authority to establish the pricing in standard agreements on a case by case basis, authorized the Mayor and Clerk to execute these agreements and requested that staff report back on any agreements signed.

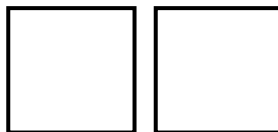
On September 6, the Town of Aylmer passed a resolution to sign the standard agreement and use the new City MRF. It is expected the Town of Aylmer will begin to use the facility in the spring 2012. Alymer residents generate approximately 300 tonnes per year of recyclables.

### Arrangement #2 – Competitive Bidding

Responding to tenders or RFPs will require that the City supply the necessary documents asked for in the tender/RFP (e.g., bid bonds) and submit pricing based on the requirements in the tender/RFP. Tenders/RFPs sometimes have relatively short time periods between when they are issued and when they close. This may preclude getting Council approval to respond a tenders/RFP.

Consequently, at its August 29 meeting, Council passed the following resolution:

*the Civic Administration **BE DIRECTED** to develop principles that would be used to establish pricing when responding to Request for Proposals or Tenders from municipalities seeking Blue Box processing services and report back at a future meeting of the Community and Neighbourhoods Committee.*



**APPENIX B**  
**Principles to Establish Pricing**  
**for Stratford’s RFP for Blue Box Processing Services**

Major Consideration that Impacts Pricing		Comments	Principles for Selecting Pricing
Operating Cost	Quantity of Material	Unit rate charged by Miller for processing varies based on monthly quantity received  Unit rate lowers as quantity increases  Recycling quantities vary by month throughout year	Estimate the unit rate to be charged based on 85% to 90% of the anticipated monthly average quantity.  Included quantities from London, municipalities already under contract for duration of Stratford RFP and quantities in the Stratford RFP.  Do not include quantities from municipalities under contract if they are not committed for the full duration of the Stratford RFP.
	Quality of Material	Unit rate charged by Miller varies based on quality of material  Unit rate increases as the level of contamination increases	Estimate the unit rate to be charged based on a blending of :  <ul style="list-style-type: none"> <li>• level of contamination projected in Stratford’s RFP</li> <li>• current level of contamination at London’s new MRF</li> <li>• expected changes to London’s level of contamination over the next two years</li> </ul> (i.e., submission is based on a reasonable estimate of the level of contamination based on the above factors)
	Hours of Operation	Current contract provides for recyclables to be delivered during specific days/hours	No impact on pricing if RFP states materials will be delivered during normal operating hours.  Include cost of opening additional hours if required.
Capital Cost		Funding agreement from Waste Diversion Ontario – Continuous Improvement Fund (CIF) allows City to charge up to \$10/tonne for capital replacement	CIF already paid 100% of the cost of capital upgrades to the facility to accommodate up to 35,000 tonnes per year from other municipalities.  Select rate that is likely to generate approximately \$10 per tonne for capital replacement over the life of the contract.
Administration Cost		Funding agreement from CIF allows City to charge up to 8% markup to cover administration costs	Select rate that is likely to generate approximately 8% markup to cover administration costs over the life of the contract.

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Major Consideration that Impacts Pricing		Comments	Principles for Selecting Pricing
Revenue	Who retains revenue	Stratford to retain revenue	Provide Stratford with 100% of revenue received by the London for portion of material from Stratford less money paid to Miller for materials marketing and marketing incentives.
		London to retain revenue	Revenue can vary significantly: <ul style="list-style-type: none"> <li>- has ranged from \$115/tonne to \$185/tonne over the last 12 months</li> <li>- annual average has ranged from \$80 to \$150 per tonne over the last 10 years</li> <li>- average price over the last 5 years is \$135/tonne</li> </ul> Assume revenue (\$/tonne) is approximately 80% to 90% of average rate over the last 5 years.
		Stratford and London to share revenue	Assume London's portion of revenue (\$/tonne) is equal to 80% to 90% of average rate over the last 5 years.