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TO:	CHAIR AND MEMBERS COMMUNITY AND NEIGHBOURHOODS COMMITTEE MEETING ON OCTOBER 18, 2011
FROM:	JAY STANFORD, M.A., M.P.A. DIRECTOR, ENVIRONMENTAL PROGRAMS & SOLID WASTE
SUBJECT	MATERIAL RECOVERY FACILITY COMPETITIVE BID PRINCIPLES

RECOMMENDATION

That on the recommendation of the Director – Environmental Programs & Solid Waste, the following actions **BE TAKEN** with respect to providing competitive bids for Blue Box processing services to other municipalities:

- (a) the principles outlined in this report be used to establish pricing to respond to Requests for Proposals (RFPs) and Tenders from other municipalities to provide Blue Box processing services **BE APPROVED**;
- (b) the Executive Director of Planning, Environmental and Engineering Services **BE DELEGATED** the authority to prepare and submit bids responding to competitive RFPs or Tenders to provide Blue Box processing services to other municipalities;
- (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 any proposal or bid submitted to provide Blue Box processing services; and
- (e) subsequent to the City being awarded a RFP or Tender, the Mayor and Clerk **BE AUTHORIZED** to execute all documents that are necessary in connection with this matter.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Relevant reports that can be found at www.london.ca under City Hall (meetings) include:

- City of Stratford - Request for Proposals Processing Services for Recyclable Materials, Community and Neighbourhoods Committee (CNC) Meeting on September 13, 2011, Agenda #19
- Municipal Partner Agreements for Blue Box Processing Services, CNC 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 Manning Drive Regional Materials Recovery Facility (MRF) with Miller Waste Systems allows for the processing fee for 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 bids responding to RFPs and Tenders for Blue Box processing.

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.*

If the City responds to RFPs and Tenders and wins, additional tonnes will be processed at the Manning Drive MRF which will reduce the City's cost.

On September 13, 2011 the City of Stratford (Stratford) released an RFP for processing Blue Box recyclables. The RFP closed on September 28, 2011. The fifteen day period between release and closing of the RFP did not provide sufficient time to prepare a proposal and then get Council permission to submit the proposal. Consequently Council delegated the authority to the Executive Director of Planning, Environmental and Engineering Services to prepare and submit a proposal to Stratford.

It is expected there will be additional RFPs and Tenders issued in the next six months, some of which will also have relatively short timelines to respond.

This report to CNC considers the process that was used for the Stratford RFP submission and recommends that the principles developed for Stratford become the principles for all RFPs and Tenders. City staff will seek permission from Committee and Council should there be a reason to deviate from these principles in the future because of unique circumstances.

DISCUSSION

Background

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. Other municipalities are obligated by their purchasing policy to seek competitive pricing through a Request for Proposal (RFP) or Tender process.

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.

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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) were to use the Manning Drive MRF.

Principles for Pricing

The principles that would be used to establish pricing when responding to RFPs and Tenders are outlined in Appendix A and are the same principles previously approved by Council to respond to the Stratford RFP. These principles take into consideration the need to offer a competitive price while ensuring the 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 in any RFP or Tender 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.

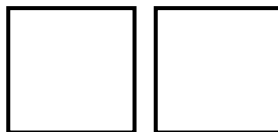
ACKNOWLEDGEMENTS

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

PREPARED BY:	
WESLEY ABBOTT, P. ENG. DIVISION MANAGER SOLID WASTE MANAGEMENT	
PREPARED AND RECOMMENDED BY:	REVIEWED & CONCURRED BY:
JAY STANFORD, M.A., M.P.A. DIRECTOR, ENVIRONMENTAL PROGRAMS & SOLID WASTE MANAGEMENT	PAT McNALLY, P. ENG. EXECUTIVE DIRECTOR, PLANNING, ENVIRONMENTAL AND ENGINEERING SERVICES

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c John Braam, P. Eng., Director of Water & City Engineer



APPENIX A
Principles to Establish Pricing
for RFPs and Tenders for Blue Box Processing Services

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

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Major Consideration that Impacts Pricing		Comments	Principles for Selecting Pricing
Revenue	Who retains revenue	Municipality Issuing RFP/Tender to retain revenue	Provide municipality issuing RFP/Tender with 100% of revenue received by London for the portion of material from the municipality 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"> - monthly average has ranged from \$115/tonne to \$185/tonne over the last year - annual average has ranged from \$80 to \$150 per tonne over the last 10 years - average price over the last 5 years is \$135/tonne Assume revenue (\$/tonne) is approximately 80% to 90% of the average rate over the last 5 years.
		Municipality Issuing RFP/Tender and London to share revenue	Assume London's portion of revenue (\$/tonne) is equal to 80% to 90% of the average rate over the last 5 years.