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<b>TO:</b>	<b>CHAIR AND MEMBERS CIVIC WORKS COMMITTEE MEETING ON DECEMBER 3, 2012</b>
<b>FROM:</b>	<b>JAY STANFORD, M.A., M.P.A. DIRECTOR, ENVIRONMENTAL PROGRAMS &amp; SOLID WASTE</b>
<b>SUBJECT</b>	<b>MATERIAL RECOVERY FACILITY PROCESSING BLUE BOX RECYCLABLES</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 providing Blue Box processing services:

- (a) the draft amending By-law, attached as Appendix A, **BE INTRODUCED** at the Municipal Council meeting on December 11, 2012 to amend By-law A-6737-304 to delegate the authority to the Managing Director - Environmental & Engineering Services & City Engineer to negotiate agreements and establish pricing for companies wanting to use the Manning Drive Regional Material Recovery facility to process recyclables.
- (b) the Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with this matter;
- (c) the Civic Administration **BE DIRECTED** to report back any new agreements for Blue Box processing services; and
- (d) 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:

- Material Recovery Facility Competitive Bid Principles, Community and Neighbourhoods Committee (CNC) Meeting on October 18, 2011, Agenda #7
- City of Stratford - Request for Proposals Processing Services for Recyclable Materials, CNC Meeting on September 13, 2011, Agenda #19
- Municipal Partner Agreements for Blue Box Processing Services, CNC Meeting on August 16, 2011, Agenda #17

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

The purpose of this report is to seek approval for the Managing Director - Environmental & Engineering Services & City Engineer to negotiate agreements and to establish pricing for companies wanting to use the Manning Drive Regional Material Recovery Facility (MRF) to process recyclables.

**DISCUSSION**

The operating agreement for the Manning Drive Regional 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 to save money by having other municipalities or companies use the facility.

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Currently six other municipalities use the Manning Drive Regional MRF. These municipalities bring approximately 3,000 tonnes per year to the facility which saves the City approximately \$150,000 per year by lowering the overall cost per tonne.

Council has previously delegated the authority to the Managing Director - Environmental & Engineering Services & City Engineer to prepare and submit bids responding to competitive Request for Proposals or Tenders to provide Blue Box processing services to other municipalities and the authority to establish pricing for processing services. This authority was delegated in order for the City to be able to respond to Request for Proposals or Tenders in a timely fashion.

On November 29, 2012 the City of Brantford issued a Tender for various waste management services including the receipt, transportation, processing and marketing of recyclable materials. The Tender is due December 19, 2012.

The Managing Director - Environmental & Engineering Services & City Engineer does not have the authority to respond to this Tender because it includes transportation to the MRF in addition to the processing and marketing of the recyclables nor does the Managing Director have the authority to provide pricing for processing and marketing services to companies who may wish to bid on the Tender and haul the recyclables to the Manning Drive Regional MRF for processing.

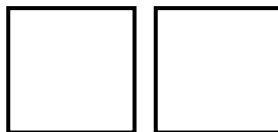
It is estimated that the City of London would save between \$150,000 and \$200,000 per year due to economies of scale if the recyclables from Brantford were processed at the Manning Drive Regional MRF.

In order to be able to respond to the Brantford tender and other similar tenders in the future in a timely fashion, it is proposed to allow the Managing Director - Environmental & Engineering Services & City Engineer to negotiate agreements and establish pricing for companies wanting to use the Regional Manning Drive Material Recovery facility to process recyclables from other municipalities or businesses. Principles for establishing the pricing to use the MRF for processing recyclables were previously established by Council on October 24, 2011 and are provided in Attachment B.

**ACKNOWLEDGEMENTS**

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

<b>PREPARED BY:</b>	
<b>WESLEY ABBOTT, P. ENG.</b> DIVISION MANAGER SOLID WASTE MANAGEMENT	
<b>PREPARED AND RECOMMENDED BY:</b>	<b>REVIEWED &amp; CONCURRED BY:</b>
<b>JAY STANFORD, M.A., M.P.A.</b> DIRECTOR, ENVIRONMENTAL PROGRAMS & SOLID WASTE MANAGEMENT	<b>JOHN BRAAM, P.ENG.</b> MANAGING DIRECTOR, ENGINEERING SERVICES & CITY ENGINEER



## APPENDIX A

By-law No.

A By-law to amend By-law No. A.6737-305 Entitled "A by-law to delegate powers to the Executive Director of Planning, Environmental and Engineering Services to prepare and submit bids to provide Blue Box processing services to other municipalities."

WHEREAS section 5(3) of the *Municipal Act, 2001* S.O. 2001, c.25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 23.1 (1) of the *Municipal Act, 2001*, as amended authorizes a municipality to delegate its powers & duties;

AND WHEREAS it is deemed expedient to delegate the power and authority to establish pricing for companies wanting to use the Regional Manning Drive Material Recovery facility to process recyclables;

NOW THERFORE the Council of the Corporation of the City of London enacts as follows:

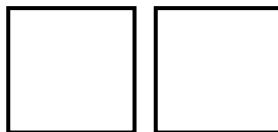
1. Section 1 of By-law . A.6737-305 is amended by replacing "the authority to establish pricing for processing services" with "the authority to negotiate agreements and establish pricing for processing services for municipalities and companies."
2. This by-law comes into force and effect on the day it is passed.

PASSED in Open Council on December 11, 2012.

Joe Fontana  
Mayor

Catharine Saunders  
City Clerk

First reading – December 11, 2012.  
Second reading – December 11, 2012.  
Third reading –December 11, 2012



## APPENDIX B

### Principles to Establish Pricing for Blue Box Processing Services (approved for RFPs and Tenders on October 24, 2011)

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"> <li>• level of contamination projected in RFP/Tender</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> <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"> <li>- monthly average has ranged from \$115/tonne to \$185/tonne over the last year</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 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.