



CITY OF HAMILTON
PUBLIC WORKS DEPARTMENT
Environmental Services Division

TO:	Chair and Members Public Works Committee
COMMITTEE DATE:	September 17, 2018
SUBJECT/REPORT NO:	City of Hamilton's Waste Transfer and Disposal System Request for Proposals C11-08-18 Selection of Successful Proponent(s) (PW16059f) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Raffaella Morello (905) 546-2424, Extension 3926
SUBMITTED BY:	Craig Murdoch, B.Sc. Director, Environmental Services Public Works
SIGNATURE:	

RECOMMENDATION

- (a) That Waste Connections of Canada Inc. be selected as the Successful Proponent for Project A of Request for Proposals Contract C11-08-18, for the operation and maintenance of the City's three Transfer Stations, three Community Recycling Centres, the Reuse Centre at the Mountain Community Recycling Centre, haulage of materials from the Transfer Stations and Community Recycling Centres to end markets and the Glanbrook Landfill, and marketing of specified recyclable materials from the Transfer Stations and Community Recycling Centres;
- (b) That Waste Management of Canada Corporation be selected as the Successful Proponent for Project B of Request for Proposals Contract C11-08-18, for the operation and maintenance of the Glanbrook Landfill and Leaf and Yard Waste Composting site;
- (c) That the General Manager of Public Works be authorized and directed to finalize the terms and conditions of the contract with Waste Connections of Canada Inc. in accordance with the provisions of Request for Proposals Contract C11-08-18 for Project A.
- (d) That the General Manager of Public Works be authorized and directed to finalize the terms and conditions of the contract with Waste Management of Canada Corporation in accordance with the provisions of Request for Proposals Contract C11-08-18 for Project B; and

SUBJECT: City of Hamilton's Waste Transfer and Disposal System Request for Proposals C11-08-18 Selection of Successful Proponent(s) (PW16059f) (City Wide) - Page 2 of 8

- (e) That the Mayor and City Clerk be authorized and directed to execute all necessary documents to implement recommendations (c) and (d) with content acceptable to the General Manager of Public Works and in a form acceptable to the City Solicitor;

EXECUTIVE SUMMARY

The existing contracts for the operation of the City's waste transfer and disposal facilities will end on February 28, 2020. To facilitate the provision of continued service in 2020, staff initiated the procurement process to obtain service providers, prepare contracts, and to provide the service providers sufficient time to acquire the resources necessary to begin the new contracts.

On April 20, 2018, the City issued a Request for Proposals (RFP) for the operation and maintenance of the City of Hamilton's Waste Transfer and Disposal System (RFP C11-08-18) which maintain existing service levels. RFP C11-08-18 is for the operation and maintenance of the City's three Community Recycling Centres, three Transfer Stations, Reuse Centre at the Mountain Community Recycling Centre, Glanbrook Landfill, and the leaf and yard waste composting site. The service contracts are for a ten-year period starting on March 1, 2020 to February 29, 2030. The RFP's scope of work maintains existing service levels to avoid impacts on public services.

RFP C11-08-18 closed on June 15, 2018, followed by the evaluation of proposals including the review of the proponents' technical and financial submissions. Based on the results of the technical and financial evaluation, it is recommended that the contract for the operation and maintenance of the Community Recycling Centres, Transfer Stations and Reuse Centre is awarded to Waste Connections of Canada Inc. (formerly named BFI Canada Inc.). Waste Connections of Canada Inc. will be using Community Living Hamilton as their not-for-profit subcontractor to operate the Reuse Centre. It is recommended that Waste Management of Canada Corporation is awarded the contract for the operation of the Glanbrook Landfill and the leaf and yard waste composting site. The successful proponents are the same contractors that are providing the current services.

Staff's target is to execute the contracts with the successful proponents by the third quarter of 2018 in order to allow the successful proponents sufficient time to procure vehicles and equipment for commencement of operations on March 1, 2020.

As a result of favourable pricing received in the RFP, staff anticipates an annual operating savings of approximately \$2.3 Million for the operation of the waste transfer and disposal facilities when the new contracts begin on March 1, 2020.

Alternatives for Consideration – See Page 7

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The 2018 operating budget for the operation of the Transfer Stations and Community Recycling Centres is \$7.45 Million, and \$3.52 Million for the operation of the Glanbrook Landfill and leaf and yard waste composting site for a total of \$10.97 Million. The landfill operating cost includes the landfill compaction incentive which is paid to the contractor if they exceed the City's compaction targets as a measure to preserve landfill capacity.

As part of the Evaluation Process set out in the RFP, a detailed financial analysis was completed on the Project options which assessed the prices submitted in the RFP proposals. Table 2 attached to Report PW16059f as Appendix "A" in the Analysis and Rationale section in this report includes the operating cost for Year 1 of the contract, estimated at \$8.62 Million based on 2018 dollars.

Bidders were directed to submit their costs in 2018 dollars and that CPI would be applied in 2019 and 2020 for year one of the operating contracts. This cost will be approximately \$9.14 Million when the contracts begin on March 1, 2020, which considers cost escalation for consumer price indices and fuel indices.

The overall contract costs for Projects A and B represents an annual operating savings of approximately \$2.35 Million when the new contracts begin in 2020, with the cost reduction associated with lower pricing received for Project A.

The ten year forecasted cost for the operation and maintenance of the waste transfer and disposal facilities will be approximately \$117 million based on escalation factors and estimated waste tonnages identified in RFP C11-08-18. Other variables such as the performance of the City's waste diversion programs and population growth would also impact future operating costs.

Staffing: There are no staffing implications associated with the recommendations in this report.

Legal: Legal Services staff provided assistance with the RFP preparation and evaluation process and will be involved with the contract preparation and execution of the agreement with the successful proponents.

SUBJECT: City of Hamilton's Waste Transfer and Disposal System Request for Proposals C11-08-18 Selection of Successful Proponent(s) (PW16059f) (City Wide) - Page 4 of 8

A contract will be finalized with Waste Connections of Canada Inc. and Waste Management of Canada Corporation, pending approval by Council. RFP C11-08-18 included a draft copy of the contract which will form the basis of the final contract in addition to the successful proponents' proposal and all applicable clarifications accepted by the City. If the successful proponent(s) fail to enter into the contract and provide all ancillary documents required under the RFP and the contract, the City reserves the right to take other actions which include:

- terminating discussions with the successful proponent(s);
- selecting another proponent as the successful proponent and enter into contract discussions to finalize and execute the contract;
- revise and reissue the RFP, or cancel the RFP; or
- pursue any other rights or remedies available under the RFP.

HISTORICAL BACKGROUND

Existing Waste Transfer and Disposal Contracts

The existing 10-year waste transfer and disposal contracts began on March 1, 2010. The City currently has two separate contracts for waste transfer and haulage, and the operation of the Glanbrook Landfill and the leaf and yard waste composting site.

Waste Connections of Canada Inc. (formerly named BFI Canada Inc.) is the current contractor for the operation of the Transfer Stations, Community Recycling Centres, haulage of materials to end markets, and marketing of divertible materials collected at the Transfer Stations and Community Recycling Centres. The operation of the Reuse Centre located at the Mountain Community Recycling Centre is sub-contracted by Waste Connections of Canada Inc. to Community Living Hamilton.

The operation of the Glanbrook Landfill and the leaf and yard waste composting site is currently under contract with Waste Management of Canada Corporation.

Contract Development

The City's contracts for waste transfer and disposal will expire on February 28, 2020. Information on the 2020 waste management system and the preparation for the waste transfer and disposal contracts has been provided to Council through several reports including PW16059, PW16059a, and PW16059b. Through Report PW16059b, staff received direction to initiate the competitive procurement process for the operation of the City's Transfer Stations, Community Recycling Centres, Glanbrook Landfill, and the leaf and yard waste composting site. After receiving direction from Council in 2017 staff began

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

SUBJECT: City of Hamilton's Waste Transfer and Disposal System Request for Proposals C11-08-18 Selection of Successful Proponent(s) (PW16059f) (City Wide) - Page 5 of 8

the work required to prepare and issue the RFP document for the waste transfer and disposal contracts, which was issued on April 20, 2018 and closed on June 15, 2018.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Procurement Policy

The Request for Proposals procurement process was carried out in accordance with Bylaw 17-064, the City of Hamilton's Procurement Policy.

Hamilton's Solid Waste Management Master Plan

The development of the waste transfer and disposal contracts supports the City's Solid Waste Management Master Plan's guiding principles:

- (1) The City of Hamilton must lead and encourage the changes necessary to adopt the principle of Waste Reduction.
- (2) The Glanbrook Landfill is a valuable resource. The City of Hamilton must minimize residual waste and optimize the use of the City's diversion and disposal facilities.
- (3) The City of Hamilton must maintain responsibility for the residual wastes generated within its boundaries.

RELEVANT CONSULTATION

The recommendations in this report were prepared in consultation with staff from the Corporate Services Department, Financial Services Division, Procurement Section and Financial and Administration Section, and, Legal Services Division. Staff consultation will continue as part of the next steps to complete the procurement process and finalize the contract requirements.

The Waste Management Advisory Committee received regular updates on the City's waste management system development and the progress on the procurement process for the Waste Transfer and Disposal RFP.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The information and recommendations outlined in this report have City wide implications related to the City's waste management service contracts. This report also directly impacts Wards 5, 6, 11, and 13 where the waste transfer and disposal facilities are located.

SUBJECT: City of Hamilton's Waste Transfer and Disposal System Request for Proposals C11-08-18 Selection of Successful Proponent(s) (PW16059f) (City Wide) - Page 6 of 8

RFP Overview

The RFP's scope of work maintains the existing service levels at the City's waste transfer and disposal facilities. The RFP allowed proponents to bid on one or more of the following projects:

- Project A for the operation and maintenance of the three Transfer Stations, Community Recycling Centres, Reuse Centre, material haulage, and marketing acceptable divertible materials;
- Project B for the operation and maintenance of the Glanbrook Landfill and the Leaf and Yard Waste composting site; and
- Project C to provide all services included in Project A and Project B.

To be considered for Project C, the proponent was required to submit a proposal for both Project A and Project B.

RFP C11-08-18 included a two-step process with the first step being the review of the proponents' technical submission, and the second step being the financial evaluation. The technical submissions were scored based on the evaluation criteria described in RFP C11-08-18, which included the company's capabilities, their operating details including labour and equipment to be used for the contract, and proposed work plan to undertake the services. Proponents were required to meet a minimum score on their technical submission before they could proceed to the second step which is the financial evaluation of the price submissions. The preferred proposal(s) from the financial evaluation were determined based on the lowest estimated annual contract value for each Project. Subject to the rights and privileges reserved to the City in the RFP, the RFP would be awarded based on the lowest combined cost of Project A and Project B or lowest cost for Project C.

RFP Results

Upon close of the RFP, the City received eleven submissions in total for Projects A, B, and C. Proposal scores for the technical evaluation were determined on a consensus basis with input from all members of the RFP evaluation team. Table 1 attached to Report PW16059f as Appendix A summarizes the results of the technical evaluation of the RFP proposals.

The proposals which met or surpassed the minimum score proceeded to the financial evaluation. As part of the financial review, the City received four compliant bids for Project A, one compliant bid for Project B, and one compliant bid for Project C. Three price submissions could not be considered for the financial review since they were non-compliant with the terms outlined in the RFP.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

SUBJECT: City of Hamilton's Waste Transfer and Disposal System Request for Proposals C11-08-18 Selection of Successful Proponent(s) (PW16059f) (City Wide) - Page 7 of 8

Waste Connections of Canada Inc. had lowest Year 1 costs for Project A and Waste Management of Canada Corporation had the lowest Year 1 costs for Project B, both of which are the current operators of their respective contracts. It is not recommended to proceed with Project C, since the cost received for Project C was higher than the combined cost for Project A and Project B. The estimated annual contract value for Year 1 was calculated based on the component prices in the price submission which are stated in 2018 dollars. Table 2 attached to Report PW16058f as Appendix "A" outlines the results of the financial evaluation for the lowest cost proposals.

Recommended Successful Proponents

The recommendation for the operation and maintenance of the waste transfer and disposal facilities is to award Project A to Waste Connections of Canada Inc. and Project B to Waste Management of Canada Corporation. Both companies are the existing contractors for the operation of the waste transfer and disposal facilities which will also result in time savings and a seamless transition between the current and future contract periods.

Waste Connections of Canada Inc. has been in operation since 1996, and previously operated as BFI Canada Inc. They have operated the City's Community Recycling Centres and Transfer Stations since 2010. Their experience includes operation of approximately 14 transfer stations and 2 landfills located in Ontario, as well as 280 other waste management facilities located in North America. Waste Connections of Canada Inc.'s proposal indicated that Community Living Hamilton would be used as their not-for-profit subcontractor to operate the Reuse Centre.

Waste Management of Canada Corporation has been in operation for more than 50 years. They are a wholly owned subsidiary of Waste Management Inc., which operates across Canada, 48 USA states, the District of Columbia, and Puerto Rico. Waste Management of Canada Corporation currently operates 249 landfills and 305 of its own transfer stations. They currently operate the Glanbrook Landfill and previously operated the City's Transfer Stations and the City's former energy-from-waste Solid Waste Reduction Unit (SWARU).

ALTERNATIVES FOR CONSIDERATION

Staff recommends that the service delivery option for the waste transfer and disposal facilities and preferred proponents be approved by Council prior to the municipal election in October 2018.

As a best practice for transfer station and landfill operations of this size and complexity, contractors require one year or greater to procure equipment and resources necessary

SUBJECT: City of Hamilton's Waste Transfer and Disposal System Request for Proposals C11-08-18 Selection of Successful Proponent(s) (PW16059f) (City Wide) - Page 8 of 8

to provide the services. In most cases, a one year lead time is necessary to manufacture specialized heavy equipment such as loaders and landfill compactors which are an essential component for the operations. In the event that Council does not wish to approve the Report recommendations, the timeframe remaining is insufficient for staff to prepare an alternative RFP and for the successful proponents to prepare for the new contract. In this situation, the City would need to consider extending the current contracts for up to six months assuming that the current service providers are agreeable and reasonable. Extending the current contracts would require additional work in order to negotiate the contract extension with the current service providers.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Clean and Green

Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

APPENDICES AND SCHEDULES ATTACHED

N/A