



CITY OF HAMILTON
PUBLIC WORKS DEPARTMENT
Environmental Services Division

TO:	Chair and Members Public Works Committee
COMMITTEE DATE:	May 3, 2021
SUBJECT/REPORT NO:	Award of Request for Proposal C11-46-20, Management and Processing of the City of Hamilton's Green Cart Material (PW21026) (City Wide) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Joel McCormick (905) 546-2424 Ext. 4770
SUBMITTED BY:	Craig Murdoch Director, Environmental Services Public Works Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That Harbourside Organix Inc. be selected as the Successful Proponent for Project A (Operations and Maintenance of the Central Composting Facility) of Request for Proposals Contract C11-46-20, Management and Processing of the City of Hamilton's Green Cart Material;
- (b) That the General Manager of Public Works be authorized and directed to finalize the terms and conditions of the Contract with Harbourside Organix Inc., in accordance with the provisions of Request for Proposals Contract C11-46-20;
- (c) That the Mayor and City Clerk be authorized and directed to execute the Contract with Harbourside Organix Inc. and any ancillary documents for Contract C11-46-20 with content acceptable to the General Manager of Public Works and in a form acceptable to the City Solicitor; and,
- (d) That Outstanding Business List Item respecting the Operations and Maintenance of the Central Composting Facility, be identified as completed and removed from the Public Works Outstanding Business List.

EXECUTIVE SUMMARY

The current contract for the operation and maintenance of the Central Composting Facility (CCF) is set to expire June 27, 2021. As a result, staff initiated the development of Request for Proposals (RFP) C11-46-20, Management and Processing of the City of Hamilton's Green Cart Material, which was initially released May 25, 2020, then subsequently released November 10, 2020 and closed on January 4, 2021.

The RFP is for a five-year operation and maintenance contract starting June 28, 2021 and expiring on June 30, 2026. This contract also includes two optional, one-year extensions at the sole discretion of the City of Hamilton (City), bringing the total potential contract term to seven years.

The RFP contained two separate scopes of work:

- Project A: Operation and Maintenance of the Central Composting Facility; and,
- Project B: Operation and Maintenance of the CCF as an Organic Transfer Facility with Offsite Processing of Organic Waste.

The scope of work for Project A maintains the current level of operation and maintenance of the CCF while Project B utilizes a third-party facility for the processing of Source Separated Organics (SSO) collected through the Green Bin program, while converting and operating the CCF into an Organic Transfer Facility (OTF).

The RFP was also developed to allow for the submission of an in-house proposal with the potential to transfer the operation and maintenance of the CCF from a contracted service to an in-house service.

Four proposals were received upon closing of the RFP, two proposals for Project A and two proposals for Project B:

- Project A Proposals: In-house Submission Team and Harbourside Organix Inc., which is owned and operated by AIM Environmental Group; and,
- Project B Proposals: StormFisher Environmental and Walker Environmental Group

Following the technical evaluation of the proposals, it was determined that proposals for Project A from the In-house Submission Team and Harbourside Organix Inc. passed the technical evaluation and proceeded to the financial evaluation while both proposals submitted for Project B, StormFisher Environmental and Walker Environmental Group did not meet the minimum score associated with the technical evaluation and therefore, did not proceed to the next step of the evaluation.

SUBJECT: Award of Request for Proposal C11-46-20, Management and Processing of the City of Hamilton's Green Cart Material (PW21026) (City Wide) - Page 3 of 12

Following the financial analysis of the proposals from the In-house Submission Team and Harbourside Organix Inc. and following the completion of a risk assessment conducted between the two options, it is recommended that RFP C11-46-20 be awarded to Harbourside Organix Inc. for Project A, Operation and Maintenance of the Central Composting Facility.

Harbourside Organix Inc. has been in operation since 1989 and has been operating and maintaining the City's CCF since 2006, under the name of AIM Environmental Group. Harbourside Organix Inc. has vast experience in developing and operating composting facilities similar to the CCF for municipalities in Ontario and across the country.

Alternatives for Consideration – See Page 10

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: With the award of RFP C11-46-20, the annual operating cost will be approximately \$3.168M per year which is within the 2021 approved budget.

Table 1 outlines the annual contract price received in response to the RFP for both Harbourside Organix Inc. and the In-house Submission Team's proposal.

Table 1

	Harbourside Organix Inc.	In-House Submission Team
Annual Proposal Price	\$ 3,167,836.47	\$ 3,541,571.15

The current 2021 Tax Operating Budget for this work is \$3.209M. Therefore, the bid is approximately \$40K or 1.3% less than the approved budget as outlined in Table 2.

Table 2

	Harbourside Organix Inc.
Annual Proposal Price	\$ 3,167,836.47
2021 Operating Budget	\$ 3,209,210.00
2021 Budget Decrease	-\$ 40,373.53
% 2021 Budget Decrease	-1.3%

With the award of RFP C11-46-20, the five-year operating budget forecast for this contract is approximately \$17.03M based on an estimated annual escalation factor of 2% and estimated tonnage growth as identified in the

SUBJECT: Award of Request for Proposal C11-46-20, Management and Processing of the City of Hamilton's Green Cart Material (PW21026) (City Wide) - Page 4 of 12

RFP. This is approximately \$2.01M less than the five-year operating budget forecast for the In-house Submission Team at \$19.04M.

When developing the 2021 operating budget, staff anticipated an increase based on other recent waste RFPs that demonstrated increased cost. Because of this, staff increased the 2021 operating budget by approximately \$900K or 39% when compared to the approved 2020 operations budget for this work.

Since the current operation and maintenance contract for the CCF is set to expire on June 27, 2021, the estimated 2021 operating cost for this service will be based on the first six months of the year under the current contract and the last six months of the year under the new contract. Therefore, the estimated 2021 operating budget for the operation and maintenance of the CCF will be approximately \$2.95M. This represents an annualized decrease of \$260K or 8.6% compared to the 2020 operating budget and will be forecasted as a favourable variance during 2021.

As a result of the 2021 operating budget being higher than the new contract award, the annualized impact of \$260K will not result in a budget pressure in 2022 since the budget is already sufficient. The impact to the 2022 operating budget will be based on annual escalation and growth factors that will form part of the 2022 budget process.

The RFP also provided proponents with the option to supply to the City a cost savings attributed to the ownership of the environmental attributes (Green House Gas Credits) associated with the processing of SSO at the CCF. Further details and analysis can be found in the Alternatives for Consideration.

Staffing: There are no staffing implications related to the recommendation in Report PW21026.

Legal: Legal Services staff assisted with the RFP preparation and evaluation process and will be involved in the preparation and execution of the contract with the Successful Proponent.

HISTORICAL BACKGROUND

The current operation and maintenance contract for the CCF commenced in June 2006 and is set to expire June 27, 2021. At the April 3rd, 2019 Public Works Committee (PWC) meeting, staff were directed to do the following:

- Issue an RFP for the operation and maintenance of the CCF;
- Establish an in-house bid team to prepare and submit a bid to the RFP with the potential to transfer the service from a contracted provider to an in-house service;
- Conduct a risk assessment of contracted operation and maintenance vs. in-house operation and maintenance; and,
- Report back to PWC with recommendations based on the risk assessment results and both in-house and external bids received.

Prior to the development of the RFP and in response to Council direction for staff to submit an in-house proposal to the RFP, staff established two teams. The first team being the RFP Development Team whose responsibility was to create the RFP and complete the procurement process, and the second team being the In-house Submission Team whose responsibility was to develop and submit a proposal in response to the RFP.

Procurement Policy #22 – In-House Bid Submissions, guided staff through the in-house bid submission process including implementing boundaries to maintain the integrity and fairness of the RFP development and procurement process. In addition, the RFP Development Team employed the services of a fairness monitor to oversee the procurement process from start to finish. The role of the fairness monitor was to ensure that the process was conducted in a fair, open and transparent manner for all potential proponents and to also ensure that there are no biases towards or against the in-house submission.

In preparation for the expiry of the current contract and with direction received from Council, staff released RFP C11-09-20 on May 25, 2020 for the operation and maintenance of the CCF.

Shortly following the release of RFP C11-09-20, staff received an inquiry from a proponent asking the City to consider allowing alternative bids to process City SSO at a third-party off-site processing facility while using the CCF as a transfer facility instead of a processing facility. Following this inquiry, a motion was brought forward to the June 17, 2020 PWC meeting seeking direction to cancel RFP C11-09-20 with the intent to modify and reissue the RFP with an additional processing option.

SUBJECT: Award of Request for Proposal C11-46-20, Management and Processing of the City of Hamilton's Green Cart Material (PW21026) (City Wide) - Page 6 of 12

This motion was passed at the City Council meeting on June 24, 2020. RFP C11-09-20 was subsequently cancelled, modified and reissued with the following two options:

- Accepting SSO at the City's CCF and processing SSO into compost that meets the provincial compost quality standards. This option continues to see the CCF being used as a processing facility; and,
- Accepting SSO at the City's CCF, consolidate and transfer the SSO to a third-party processing facility that will process it into a product with beneficial end use. This option would see the CCF being converted to an Organics Transfer Facility (OTF).

The intent of cancelling RFP C11-09-20 and reissuing with a second option for third-party off-site processing was to provide staff and Council additional options to consider when awarding the next contract for the processing of City SSO. The modified RFP also allowed proponents to submit a proposal for either of the options listed above or both.

Following Council approval of the motion, staff cancelled RFP C11-09-20 and modified the RFP to include the two options. RFP C11-46-20 was released on November 10, 2020 and closed January 4, 2021.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Solid Waste Management Master Plan (SWMMP) – 2020 Update

- The development of RFP C11-46-20, Management and Processing of the City of Hamilton's Green Cart Material supports the City's SWMMP guiding principles.

Solid Waste Management By-law 20-221:

- Solid Waste Management By-law 20-221 regulates the requirements for waste management programs.

Procurement Policy – By-law 17-164

- The Request for Proposals was issued in accordance with the City's Procurement Policy. By-law 107-064 and more specifically Section 4.5.4, Policy #5.4 Request for Proposals and Policy #22 – In-House Bid Submissions.

RELEVANT CONSULTATION

The recommendations in Report PW21026 were prepared in consultation with staff from the Corporate Services Department including:

- Financial Services and Taxation Division (Procurement Section);
- Legal and Risk Management Services Division (Legal Services Section); and,
- Financial Planning, Administration and Policy Division (Finance and Administration Section).

The Waste Management Advisory Committee was also consulted and informed during this process.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

RFP Overview

The scope of work for RFP C11-46-20 included the following:

- Project A: Operation and Maintenance of the Central Composting Facility; and,
- Project B: Operation and Maintenance of the CCF as an Organic Transfer Facility with Offsite Processing of Organic Waste.

Staff were also directed to establish an in-house bid team to prepare and submit a proposal to the RFP with the potential to transfer the operation and maintenance of the CCF from a contracted service provider to an in-house service.

The RFP included a three-step evaluation process with the first step being the review of the proponents' technical submission, the second step being the financial evaluation and the third step determining the total evaluation score. The proponent with the highest total evaluation score, which is determined by a 75/25 split between the technical and financial submission is recommended as the preferred proponent. The recommendation of the preferred proponent also took into consideration the results of a risk assessment that compared contracted operation and maintenance of the CCF verses in-house operation and maintenance.

The technical submissions were scored based on the evaluation criteria outlined in the RFP, 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.

SUBJECT: Award of Request for Proposal C11-46-20, Management and Processing of the City of Hamilton's Green Cart Material (PW21026) (City Wide) - Page 8 of 12

The City received four proposals upon close of the RFP, one from the In-house Submission Team for Project A, one from Harbourside Organix Inc. for Project A, one from StormFisher Environmental for Project B and one from Walker Environmental for Project B. Overall, 11 companies picked up the RFP. The City was notified by two of the 11 companies the reasons why a proposal to the RFP was not submitted. Those reasons include:

- Unable to provide a competitive proposal; and,
- Conditions and timing.

Following the review of each proponent's technical submission, both the In-house Submission Team and Harbourside Organix Inc. met the minimum score and proceeded to the financial evaluation. Following the financial evaluation, both proposals were deemed compliant and the total evaluation score for each proposal were determined. The Successful Proponent recommended for award with the highest total evaluation score out of 100 points is Harbourside Organix Inc. with a total of 87 points, in comparison to the In-house Submission team who scored 83 points.

Risk Assessment

Staff were directed to complete a risk assessment of contracted operation and maintenance of the CCF (Contracted Service) versus in-house operation and maintenance of the CCF (In-house Service). The risk assessment was incorporated into the overall analysis to determine the recommended Successful Proponent for RFP C11-46-20. To complete this work, staff engaged a consulting company with experts on risk analysis.

The first step of the risk assessment was for staff to identify, log and score risks associated with both options. A three-factor scoring system based on the Failure Modes and Effects Analysis (FMEA) was applied to each identified risk, which took into consideration the following:

- Severity of the risk;
- Likelihood of the risk occurring; and,
- Detectability of the risk.

The identified risks for each option including the associated scores were then categorised into one of six criteria:

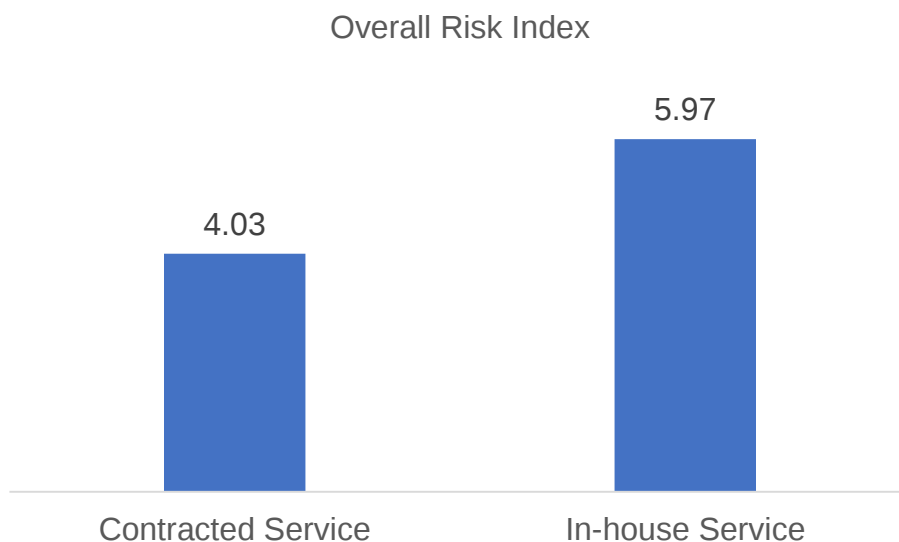
- Financial;
- Regulatory;
- Environmental;

SUBJECT: Award of Request for Proposal C11-46-20, Management and Processing of the City of Hamilton's Green Cart Material (PW21026) (City Wide) - Page 9 of 12

- Public Perception;
- Internal City Management Effort; and,
- CCF Performance.

A Multi-Criteria Decision Support System (MCDSS) was then utilized to integrate the scores for the identified risks with the categorization of the risks across the six criteria. The resulting output is an overall risk index for each option within a range of 0-10, with a higher index indicating a higher relative risk, and a lower index indicated a lower relative risk.

The results of the risk assessment are as follows:



The results of the risk assessment indicate that Contracted Service carries the least risk associated with operation and maintenance of the CCF with an overall risk index of 4.03 when compared to In-house Service for the operation and maintenance of the CCF at a risk index of 5.97.

Recommended Successful Proponent

Based on the evaluation of the proposals received and the risk assessment analysis, it is recommended that Project A, under RFP C11-46-20, Management and Processing of the City of Hamilton's Green Cart Material be awarded to Harbourside Organix Inc. Harbourside Organix Inc. is the existing contractor for the operation and maintenance of the CCF (Aim Environmental Group) for the City which will also result in a seamless transition from the current contract to the future contract.

ALTERNATIVES FOR CONSIDERATION

Should Council not wish to approve the recommendations as outlined Report PW21026, the following alternatives are provided for consideration:

Option 1: To award the RFP to the In-house Submission Team.

Financial: With the award of RFP C11-46-20 to the In-house Submission Team, the annual operating cost will be approximately \$3.542M per year.

Table 4 outlines the annual contract price received in response to the RFP for both Harbourside Organix Inc. and the In-house Submission Team's proposal.

Table 4

	Harbourside Organix Inc.	In-house Submission Team
Annual Proposal Price	\$ 3,167,836.47	\$ 3,541,571.15

The In-house Submission Team's annual cost is approximately \$374K more when compared to Harbourside Organix Inc.

The current 2021 Preliminary Tax Operating Budget for this work is \$3.209M. This represents an increase of approximately \$333K or 10.4% over the approved operating budget. Details are outlined in Table 5.

Table 5

	In-House Submission Team
Annual Proposal Price	\$ 3,541,571.15
2021 Operating Budget	\$ 3,209,210.00
2021 Budget Increase	\$ 332,361.15
% 2021 Budget Increase	10.4%

The five-year operating budget forecast for this contract if awarded to the In-house Submission Team is approximately \$19.04M based on an estimated annual escalation factor of 2% and estimated tonnage growth as identified in the RFP. This is approximately \$2.01M more than the five-year operating budget forecast for the Harbourside Organix Inc. proposal at \$17.03M.

From a budget perspective, since the current operation and maintenance contract for the CCF is set to expire on June 27, 2021, the estimated operating cost for 2021 for this service will be based on the first six months of

SUBJECT: Award of Request for Proposal C11-46-20, Management and Processing of the City of Hamilton's Green Cart Material (PW21026) (City Wide) - Page 11 of 12

the year under the current contract and the last six months of the year under the new contract. Therefore, the estimated 2021 operating budget for the operation and maintenance of the CCF if awarded to the In-house Submission Team will be approximately \$3.14M. This represents an annualized decrease of \$70K or 2.2% compared to the 2021 operating budget and will be forecasted as a favourable variance during 2021.

As a result of the 2021 operating budget being lower than the contract price provided by the In-house Submission Team, a budget pressure in 2022 of approximately \$332K will be expected. The impact to the 2022 operating budget will be based on annual escalation and growth factors that will form part of the 2022 budget process if the In-house bid is selected for the contract.

Staffing: If Council chooses to award RFP C11-46-20 to the In-house Submission Team, an additional 12 Full Time Employees (FTEs) will be required in order to complete the work as outlined in the RFP. The costs associated with the FTEs is incorporated into the overall proposal's cost outlined in the Financial Implications under the Alternatives for Consideration.

Legal: Legal Services staff assisted with the RFP preparation and evaluation process and will be involved in the preparation and execution of the contract with the Successful Proponent.

Risk Assessment

The details of the risk assessment completed in response to this RFP can be found in the Analysis and Rationale for Recommendation(s) section.

Due to both the cost and associated risks with operating and maintaining the CCF in-house, it is not recommended that Council approve this alternative.

Option 2: Environmental Attributes

The RFP provided proponents with the option to purchase the environmental attributes associated with the processing of SSO and operations of the CCF. Regarding the operations of the CCF and processing of SSO into compost, the environmental attributes are Green House Gas (GHG) credits. The purchase of the environmental attributes by the contractor would provide additional revenue to the City.

The In-house Submission Team was not able to provide a cost to purchase the environmental attributes due to the City owning the environmental attributes as outlined

SUBJECT: Award of Request for Proposal C11-46-20, Management and Processing of the City of Hamilton's Green Cart Material (PW21026) (City Wide) - Page 12 of 12

in the RFP, but if RFP C11-46-20 is awarded to the In-house Submission Team, it is possible for the City to go through the process of verifying the environmental attributes and sell for market value at the time of sale. At this time, further investigation would be needed to determine the process for validation and marketability of the credits by the City.

Harbourside Organix Inc. identified in their proposal an annual revenue of approximately \$73K paid to the City in exchange for the ownership of the environmental attributes credited to the operations of the CCF. If Council approves this alternative, the City would not retain ownership of the environmental attributes. With the environmental attributes not being retained by the City, this would not assist the City in reaching its environmental or climate change goals.

With the current operation and maintenance contract for the CCF, the City does not retain ownership of the environmental attributes, instead the environmental attributes are owned by the contractor.

Financial: If Council accepts this alternative for consideration, then the City would receive approximately \$73K annually from Harbourside Organix Inc. for the transfer of ownership of the environmental attributes from the City. This would equate to a total of \$365K in revenues for the City for the term of the five-year contract.

Staffing: There are no staffing implications.

Legal: There are no legal implications.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Clean and Green

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

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Not applicable.