



## STAFF REPORT ACTION REQUIRED

### Contract Extension and Amendment - For the Provision of Contingency Disposal Capacity within Ontario for the Next Five Years (Final Term)

<b>Date:</b>	October 23, 2015
<b>To:</b>	Public Works and Infrastructure Committee
<b>From:</b>	General Manager, Solid Waste Management Services Director, Purchasing and Materials Management Division
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2015\Cluster B\SWM\November\018PW (AFS#21813)

#### SUMMARY

This report seeks Council authority to extend the term and amend the value of each of the three existing contracts providing contingency final disposal capacity to the City of Toronto ("City"), as awarded through Request for Quotation 6035-11-3030 for the provision of contingency disposal capacity. The contracts provide contingency disposal capacity in the event of any future unforeseen service disruptions or unlikely catastrophic events beyond the control of Solid Waste Management Services (SWMS) that may require waste to be taken immediately to locations other than the Green Lane Landfill.

#### RECOMMENDATIONS

**The General Manager, Solid Waste Management Services, and the Director, Purchasing and Materials Management Division, recommend that:**

1. City Council grant authority to the General Manager, Solid Waste Management Services, to exercise the City's option of the Request For Quotation 6035-11-3030 to extend and amend each of the three existing contracts and legal agreements satisfactory to the City Solicitor for the final term of five years providing disposal capacity, all under the same pricing, terms and conditions, as follows:
  - a. extend Contract No. 47016412 with Lafleche Environmental Inc. for the provision of disposal capacity of up to 75,000 tonnes annually and up to a total of 375,000 tonnes for an additional final five year term from

September 1, 2016 to August 31, 2021 and amend the current contract value of \$19,515,151 net of HST (\$19,858,617 net of HST recoveries) by \$4,224,427 net of HST (\$4,298,777 net of HST recoveries), for a new contract value of \$23,739,578 net of HST (\$24,157,394 net of HST recoveries);

- b. extend Contract No. 47018439 with Walker Environmental Group Inc. for the provision of disposal capacity of up to 50,000 tonnes annually and up to a total of 250,000 tonnes for an additional final five year term from September 1, 2016 to August 31, 2021 and amend the current contract value of \$14,831,514 net of HST (\$15,092,549 net of HST recoveries) by \$3,101,301 net of HST (\$3,155,884 net of HST recoveries) for a new contract value of \$17,932,816 net of HST (\$18,248,433 net of HST recoveries); and,
- c. extend Contract No. 47016409 with Waste Management of Canada Corp., on the same terms and conditions, for the provision of disposal capacity of up to 200,000 tonnes annually and up to 1,000,000 tonnes for an additional final five year term from September 1, 2016 to August 31, 2021 and amend the current contract value of \$58,646,931 net of HST (\$59,679,117 net of HST recoveries) by \$7,279,944 net of HST (\$7,408,071 net of HST recoveries) for a new contract value of \$65,926,874 net of HST (\$67,087,187 net of HST recoveries).

## **Financial Impact**

As this is a contingency service in the unlikely occurrence of a catastrophic event there is no immediate or planned impact to the SWMS operating budget.

The total contract amendment value requested in Recommendation 1 and summarized in Table 1 for the extension of the three contracts for five years is estimated to be \$14,605,672 net of HST (\$14,862,732 net of HST recoveries). The revised contract value after the extension of the three contracts for five years is estimated to be \$107,599,268 net of HST (\$109,493,015 net of HST recoveries).

Table 2 shows the maximum annual extension contract value breakdown by year for each of the three contracts based on the per tonne contingency capacity disposal fee and the maximum capacity available to the City on an annual basis. The total expenditure to date with the current contracts is \$6,160,158 net of HST recoveries. The table totals \$103.333 million and represents the remaining estimated cost after considering actuals to date.

Walker Environmental Group Inc. and Waste Management of Canada Corp. offered extended receiving hours and these contract values include an estimated number of 100 extended receiving hours per year based on the provisional fee. Estimates are based on the 2015 contracted unit rates (Year 4 of the current contract) and have been inflated by 2.0 per cent per year to reflect the estimated future annual CPI change.

Table 1: Revised Contract Value

Contractor/ Cost Item	Existing Contract Value	Contract Amendment	Revised Contract Value
	Amounts in \$000s		
<b>(a) Lafleche Environmental Inc.</b>			
Max. Estimated Contract Value	19,515	4,224	23,740
HST (non-recoverable)	343	74	418
Sub-Total	19,858	4,298	24,158
<b>(b) Walker Environmental Group Inc.</b>			
Max. Estimated Contract Value	14,832	3,101	17,933
HST (non-recoverable)	261	55	316
Sub-Total	15,093	3,156	18,249
<b>(c) Waste Management of Canada Corp.</b>			
Max. Estimated Contract Value	58,647	7,280	65,927
HST (non-recoverable)	1,032	128	1,160
Sub-Total	59,679	7,408	67,087
<b>Estimated Grand Total (net of HST Recoveries)</b>	<b>94,630</b>	<b>\$14,862</b>	<b>\$109,494</b>

Table 2: Total Maximum Potential Contract Extension Value over Five Year Final Term

Contractor/ Cost Item	Contract Extension Cash Flow Estimates <sup>1</sup> (Sept 1, 2016 – Aug 31, 2021)					
	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	Amounts in \$000s					
<b>(a) Lafleche Environmental Inc.</b>						
Max. Estimated Contract Value	4,094	4,176	4,260	4,345	4,432	21,307
HST (non-recoverable)	72	74	75	76	78	375
Sub-Total	4,166	4,250	4,335	4,421	4,510	21,682
<b>(b) Walker Environmental Group Inc.</b>						
Max. Estimated Contract Value	3,112	3,174	3,238	3,302	3,368	16,194
HST (non-recoverable)	55	56	57	58	59	285
Sub-Total	3,167	3,230	3,295	3,360	3,427	16,479
<b>(c) Waste Management of Canada Corp.</b>						
Max. Estimated Contract Value	12,307	12,553	12,804	13,060	13,321	64,045
HST (non-recoverable)	217	221	225	230	234	1,127
Sub-Total	12,524	12,774	13,029	13,290	13,555	65,172
<b>Estimated Grand Total (net of HST Recoveries)</b>	<b>\$19,857</b>	<b>\$20,254</b>	<b>\$20,659</b>	<b>\$21,071</b>	<b>\$21,492</b>	<b>\$103,333</b>

<sup>(1)</sup> Totals do not include haulage. Should haulage services be required they will be provided through the City's existing Contract No. 47014859 with Verspeeten Cartage Ltd.

Should contingency services be required they will be charged to SWMS Cost Centre SW0664 (Ontario Landfill Disposal Contract), Cost Element 4403. As a contingency account there is no allocated budget.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

At its meeting of June 14 and 15, 2011 City Council adopted Report No. PW4.6 "Contract Award: Request for Quotation 6035-11-3030 for the Provision of Contingency Final Disposal Capacity within Ontario" of the Public Works and Infrastructure Committee and authorized the General Manager, Solid Waste Management Services, to enter into three contracts for the provision of Contingency Final Disposal Capacity for a five year term with the option, subject to Council approval, to renew the contracts for an additional five year term with Lafleche Environmental Inc., Walker Environmental Group Inc. and Waste Management of Canada Corp.

As part of the adoption of Report No. PW4.6, City Council further authorized the General Manager, Solid Waste Management Services, to amend the City's contract with its current waste transportation contractor, Verspeeten Cartage Ltd., to provide any haulage of up to 325,000 tonnes of waste per year that may be required for the duration of the contract to the disposal contractors' facilities at rates negotiated under the contract terms, conditions and haulage specifications, and at an additional cost of \$2.6 million annually.

The City Council Decision can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.PW4.6>

## **ISSUE BACKGROUND**

The City has always had contingency disposal capacity in place in the event of a force majeure, unforeseen service disruptions or operational challenges beyond the control of the Solid Waste Management Services Division. Further, for operational reasons, SWMS has periodically redirected waste to locations other than the Green Lane Landfill.

In 2011, City Council awarded contracts to Lafleche Environmental Inc., Integrated Municipal Services Inc. (now Walker Environmental Group Inc.) and Waste Management of Canada Inc. for the final disposal of up to 325,000 tonnes of waste annually as a result of disruption or operational challenges and/or for redirecting a portion of waste destined for the Green Lane Landfill for a five year term from September 1, 2011 to August 31, 2016.

All contracts have an option to extend the final term for an additional five years on agreement by both the City and the Contractor. As part of the award, City Council directed that, should the General Manager, Solid Waste Management Services, be satisfied with the contractors continuing to provide disposal services, Council authority would be sought to extend the existing contract(s) for the optional five year final term.

To date, the City has not required contingency disposal capacity. However, in 2014 the City redirected waste from the Green Lane Landfill for disposal to each of the three contracted sites. Although the City chose to redirect waste to each of the Contractors' sites, this was not done for contingency reasons. This planned redirection confirmed each Contractor's ability to receive daily quantities of waste over an extended period of time in 2014. A summary of waste disposed by contract is provided in Table 3.

Table 3: Tonnes of Waste Redirected from Green Lane Landfill by Contract (2014)

<b>Contractor</b>	<b>Redirected Waste (tonnes)</b>	<b>Expenditures<sup>(2)</sup> (\$Amounts in 000)</b>
(a) Lafleche Environmental Inc.(Contract No. 47016412)	47,162	\$2,476
(b) Walker Environmental Group Inc. (Contract No. 47018439) <sup>(1)</sup>	38,415	\$1,770
(c) Waste Management of Canada Corp. (Contract No. 47016409)	46,304	\$1,915
<b>Total</b>	<b>131,881</b>	<b>\$6,160</b>

<sup>(1)</sup> The vendor name for the contract awarded to Integrated Municipal Services Inc. changed to Walker Environmental Group Inc. after the two companies merged in 2013.

<sup>(2)</sup> Net of HST Recoveries

The current contract terms expire August 31, 2016. The City is required to provide six months' notice to each contractor of our intention to extend the contracts for the five year final option term and confirm the contractor's agreement. SWMS is satisfied with the services provided for and available to the City for both contingency and redirection purposes and wishes to exercise the final option five year term with all three contractors.

## **COMMENTS**

The extension of the three contracts for the five year option term will ensure contingency disposal capacity in emergency situations resulting from uncontrollable circumstances. While the combined contingency disposal capacity of 325,000 tonnes annually does not cover the City's annual waste generation, it will, on a daily basis, provide sufficient short-term capacity to facilitate a recovery from a catastrophic event that prevents the disposal of waste at the Green Lane Landfill. Further, the extension of these contracts ensures an uninterrupted plan to adequately address uncontrollable circumstances and provide immediate disposal capacity.

There is no minimum tonnage guarantee under any of the contracts and the City is not obligated to use any of the available disposal capacity.

As part of each of the contracts for disposal capacity, the City may provide reciprocal contingency disposal services. This service provides the same assurance to our contractors that allows them capacity to recover from catastrophic events or uncontrollable circumstances.

Haulage to the contractor's disposal sites will continue to be provided by the City's current haulage contractor, Verspeeten Cartage Ltd., Contract No. 47014859 and under the same terms and conditions. These haulage services will be provided for the duration of the contract, including any extensions, and at the established rates negotiated under the authority provided by Council through the adoption of Report No. PW4.6 "Contract Award: Request for Quotation 6035-11-3030 for the Provision of Contingency Final Disposal Capacity within Ontario".

In conclusion, the use of contingency disposal services would be utilized only if an unlikely catastrophic event occurred, which removes the ability to dispose of waste at the Green Lane Landfill. No additional SWMS operating funding is required or requested as part of the contract extension authority sought in this report.

## **CONTACTS**

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## **SIGNATURES**

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