

Public Works and Infrastructure Committee – Item 6.16

Considered by City Council on June 19, 20 and 22, 2007

PW6.16	REFERRED		Transactional	Ward: All
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Results of the Request for Proposal No. 0401-07-0059 - Contract for Recycling and Garbage Carts to Single-Family Households

City Council Decision

City Council on June 19, 20 and 22, 2007, referred this Item back to the Public Works and Infrastructure Committee and requested the Acting General Manager, Solid Waste Management Services, and the Director, Purchasing and Materials Management, to report to the Committee with a more accurate estimate of the value of the contract.

(May 22, 2007) report from the Acting General Manager, Solid Waste Management Services and the Director, Purchasing and Materials Management.

Committee Recommendations

The Public Works and Infrastructure Committee recommends that:

- 1.a. if Council authorizes the purchase of garbage carts as outlined in the Executive Committee report “Proposed Initiatives and Financing Model to Get to 70% Solid Waste Diversion by 2010”, Rehrig Pacific Company be awarded the contract for the supply and distribution of recycling and garbage carts, including the maintenance program and cart exchanges over the 10-year contract, at an estimated value of approximately \$68,364,320 for both the garbage and recycling carts, including PST but net of GST, CPI and potential resin price adjustments; or
- 1.b. if Council does not authorize the purchase of garbage carts as outlined in the Executive Committee report “Proposed Initiatives and Financing Model to Get to 70% Solid Waste Diversion by 2010”, Rehrig Pacific Company be awarded the contract for the supply and distribution of recycling carts only, including the maintenance program and cart exchanges over the 10-year contract, at an estimated value of approximately \$33,904,429, including PST but net of GST, CPI and potential resin price adjustments;
2. residents be allowed to request that their cart(s) be exchanged for a different sized cart(s) subject to payment of a cart exchange fee to the City equal to the City’s cost of exchanging the cart;

3. the General Manager of Solid Waste Management Services be authorized to negotiate additional cart options such as alternative graphic options and radio frequency identification tags, etc., provided that the cost of any alternatives and/or additions are within the total budgeted amounts; and
4. the appropriate officials be authorized to enter into a contract with Rehrig Pacific Company on terms and conditions provided in the RFP and otherwise on terms and conditions satisfactory to the General Manager of Solid Waste Management Services and in a form satisfactory to the City Solicitor and to take any necessary action to give effect thereto.

Financial Impact

Recycling Carts - 10-Year Cost of \$33,904,429

The total capital cost for the initial purchase and distribution of the recycling carts is estimated at \$26,361,223 net of GST. Funding for this capital expenditure has been provided in the 2007–2011 approved Solid Waste Management Services Capital Budget in Capital Account CSW004-20 (Recycling Containers), with an estimated cashflow of \$7,180,000 in 2007, and the remaining \$19,181,223 in 2008.

The total 10-year operating costs beginning in 2008, related to recycling cart maintenance and additional deliveries to new residents, is estimated at \$7,170,606 net of GST. Funding for this operating expenditure will be included in 2008 and future years operating budget submissions. The total 10-year operating cost related to recycling cart exchanges is estimated at \$372,600 net of GST. However, there is no net operating impact for the cart exchange fee that will be paid to Rehrig as it is being recommended that residents requesting that their cart be exchanged for a different sized cart pay a fee equal to the City's cost of exchanging the cart.

Garbage Carts – 10-Year Cost of \$34,459,891

A request for additional Capital Budget funding for the garbage carts is contained in the Executive Committee report, titled “Proposed Initiatives and Financing Model to Get to 70% Solid Waste Diversion by 2010”, and will be before Council for approval. The additional Capital cost for the initial purchase and distribution of the garbage carts is estimated at \$26,630,895 net of GST. Funding for this expenditure in the amount of \$7,180,000 is proposed to be funded from the Solid Waste Reserve Fund in 2007, and the remaining 2008 Capital cost amount of \$19,450,895 will be funded by additional debt, and repaid through the proposed Solid Waste rate model.

Similarly, the additional estimated total Operating costs beginning in 2008, for the 10-year maintenance program and additional deliveries to new residents of garbage carts is estimated at \$7,195,576 net of GST and will be funded by the proposed Solid Waste rate model which will be before Council for approval. Funding for this operating expenditure will be included in 2008 and future years operating budget submissions. The specific Solid Waste rates will be determined as part of the 2008 Budget process. The total 10-year operating cost related to garbage cart exchanges is estimated at \$633,420 net of GST (as previously indicated this is a charge to the resident and does not impact net operating budgets).

Inflation and Resin Price Adjustments

Given the volatility of plastic resin prices, which is the major material input for the carts, and the lengthy production time required to manufacture the quantity of carts required, the City included a plastic resin adjustment formula in the RFP to mitigate risks involved with resin pricing. Resin price adjustments can raise or lower the price of the carts to the City and will commence after the 6 (six) month fixed price period is over effective from the closing date of the RFP and will be adjusted throughout the ten (10) year term of the contract. It is difficult to project how resin prices will change and consequently the ultimate impact resin prices will have on the total cost.

The City recognized in the RFP that the cost to deliver additional carts and to perform cart exchanges throughout the ten (10) year contract will increase due to increases in fuel prices, labour costs, etc. To account for this inflation, the City will adjust the initial bid price annually for additional new cart deliveries required for new residents or for cart exchanges by 100% of the change in the Consumer Price Index (CPI) for Toronto each year of the contract.

All of the 10-year cost estimates exclude CPI, potential resin price adjustments based on the Chemical Data monthly Petro-Chemical and Plastics Analysis Index and GST.

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

Summary

The purpose of this report is to report on the results of the Request for Proposal No. 0401-07-0059 issued for the supply, delivery and maintenance of recycling/garbage carts to single family households and to obtain authority to award a contract to the recommended proponent.

The RFP was conducted in compliance with the City's purchasing policies as administered by the Purchasing and Materials Management Division (PMMD). Rehrig Pacific Company achieved the highest overall score and had the lowest price for the supply, distribution and maintenance of recycling carts only, and for both recycling and garbage carts. Therefore, Rehrig Pacific Company is being recommended as the successful proponent.

Background Information

2007-05-30-pw06-16

(<http://www.toronto.ca/legdocs/mmis/2007/pw/bgrd/backgroundfile-4132.pdf>)