



STAFF REPORT ACTION REQUIRED

Contract Award – Request for Proposal 6035-12-3000 Processing Services for Leaf and Yard Material and Digester Solids

Date:	May 30, 2012
To:	Public Works & Infrastructure Committee
From:	Acting General Manager, Solid Waste Management Services Acting Director, Purchasing and Materials Management Division
Wards:	All
Reference Number:	P:2012/SWMS/June/006PW (AFS #14888)

SUMMARY

The purpose of this report is to advise on the results of Request for Proposal 6035-12-3000 for the provision of Processing Services for Leaf and Yard Material and Digester Solids, and to request authority to negotiate and enter into separate agreements with each of the recommended proponents: All Treat Farms Ltd., Miller Waste Systems Inc. and Gro-Bark (Ontario) Ltd.

RECOMMENDATIONS

The Acting General Manager of Solid Waste Management Services and the Acting Director of Purchasing and Materials Management Division recommends that:

1. City Council authorize the Acting General Manager, Solid Waste Management Services, to negotiate and enter into an agreement with All Treat Farms Ltd. for processing services for up to 40,000 tonnes per year of Leaf and Yard Material and up to 30,000 tonnes per year of Digester Solids for a period of ten (10) years with an option to renew for up to an additional two (2) years at the sole discretion of the Acting General Manager, Solid Waste Management Services, based on the terms and conditions set out in the Request for Proposal, and in a form satisfactory to the City Solicitor, at a total cost not to exceed \$64.559 million net of all taxes and \$65.695 million net of HST recoveries;

2. City Council authorize the Acting General Manager, Solid Waste Management Services, to negotiate and enter into separate agreements for a period of five (5) years with an option to renew for up to an additional two (2) years at the sole discretion of the Acting General Manager, Solid Waste Management Services, based on the terms and conditions as set out in the Request for Proposal in a form satisfactory to the City Solicitor with the following recommended proponents:
 - (a) Miller Waste Systems Inc. for processing services for up to 10,000 tonnes per year of Leaf and Yard Material for a total cost not to exceed \$4.141 million net of all taxes and \$4.214 million net of HST recoveries; and,
 - (b) Gro-Bark (Ontario) Ltd. for processing services for up to 10,000 tonnes per year of Leaf and Yard Material for a total cost not to exceed \$3.244 million net of all taxes and \$3.301 million net of HST recoveries.

Financial Impact

The total potential cost of the agreements for the base term plus extension periods is \$ 73.210 million net of HST recoveries (\$71.944 million net of all taxes). The forecasted annual expenditure for processing services is summarized in Table 1 below. All cost estimates are net of HST recoveries.

Starting in 2014, and for the remainder of the term and extension of the term, the unit fees will be adjusted by the percentage change in the CPI – All Items index for Toronto, or its replacement index, on a year to year basis. The annual CPI adjustment is incorporated into the forecasted annual expenditures in Table 1 in the form of an annual increase of 2.2 percent beginning in 2014 and continuing for the base term and extension of the term.

The term for all contracts will begin on January 1, 2013. The term for All Treat Farms Ltd is ten (10) years with optional extension years in 2023 and 2024. The terms for Miller Waste Systems Inc. and Gro-Bark (Ontario) Ltd. are five (5) years with optional extension years in 2018 and 2019.

The total 2013 cost for all contracts will be approximately \$4.756 million based on:

1. processing of an estimated 60,000 tonnes of Leaf and Yard Material and 20,000 tonnes of Digester Solids; and,
2. requiring an estimated 144 extended receiving hours.

The average annual total cost for the 2014 to 2019 period will be greater than the cost in 2013 because the annual tonnage of Digester Solids will increase from 20,000 to 30,000 tonnes per year with the commencement of operations at the new Disco Road organics processing facility. The total contract cost for the period 2014 to 2019 will be approximately \$38.410 million. During this period, the average annual cost will be approximately \$6.402 million based on:

1. processing of an estimated 60,000 tonnes of Leaf and Yard Material and 30,000 tonnes of Digester Solids;
2. the purchase of an estimated 13,500 tonnes of compost; and,
3. requiring an estimated 144 extended receiving hours.

The period 2020 to 2024 follows the expiration of the two (2) five-year term Leaf and Yard Material processing contracts (Miller Waste Systems Inc and Gro-Bark (Ontario) Ltd.) with the total contract cost for All Treat Farms Ltd for this period estimated at approximately \$30.044 million. During this period average annual costs will be approximately \$6.008 million based on processing 40,000 tonnes of Leaf and Yard Material and 30,000 tonnes of Digester Solids and on the purchase of 10,500 tonnes of compost and requiring 144 extended receiving hours.

The actual total cost for processing will be based on the actual tonnage of Leaf and Yard Material and Digester Solids processed and the per tonne processing costs for each. The total cost to purchase compost will be based on the actual tonnage of compost purchased and the per tonne purchase cost for compost. The total cost of the extended receiving hours will be based on the number of extended receiving hours required by the City and the per hour rate for the extended receiving hours. The extended receiving hours are those hours that from time to time in response to operational needs may require the facility to be open for receiving outside of the regular receiving hours as listed in the Request for Proposal and only when requested by the General Manager or his designate for Solid Waste Management Services.

The \$ 4.756 million required for 2013 will be included in Solid Waste Management Services Operating Budget submission for 2013. Funding requirements for the balance of the term will be included in subsequent Operating Budget submissions for Cost Centers SW0476 (MWWPF-Dufferin) and SW0477 (Avondale-Leaf and Yard Waste) in cost element 4403.

Table 1: Estimated Operating Expenditure by Year for Processing Services

Organic Material	Cost Center	Estimated Expenditure by Year \$000s) ¹							
		2013	2014	2015	2016	2017	2018	2019	Sub-total 2014-2019
Digester Solids	SW-0476	1,831.68	2,761.17	2,821.91	2,883.99	2,947.44	3,012.28	3,078.56	17,505.35
Leaf and Yard Material	SW-0477	2,865.56	2,928.60	2,993.03	3,058.88	3,126.18	3,194.95	3,265.24	18,566.88
Compost Purchase	SW-0477	0.00	308.88	315.67	322.62	329.71	336.97	344.38	1,958.23
Extended Receiving Hours	SW-0476 SW-0477	58.61	59.90	61.22	62.57	63.94	65.35	66.79	379.77
Total by Year		4,755.85	6,058.55	6,191.83	6,328.06	6,467.27	6,609.55	6,754.97	38,410.23

Organic Material	Cost Center	Estimated Expenditure by Year \$000s) ¹					Sub-total	Total
		2020	2021	2022	2023	2024		
							2020-2024	2013-2024
Digester Solids	SW-0476	3,146.28	3,215.50	3,286.24	3,358.54	3,432.43	16,438.99	35,776.02
Leaf and Yard Material	SW-0477	2,246.84	2,296.27	2,346.79	2,398.42	2,451.18	11,739.50	33,171.94
Compost Purchase	SW-0477	351.96	279.77	285.92	292.21	298.64	1,508.50	3,466.73
Extended Receiving Hours	SW-0476 & SW0477	68.26	69.76	71.29	72.86	74.47	356.64	795.02
Total by Year		5,813.34	5,861.30	5,990.24	6,122.03	6,256.72	30,043.63	73,209.71

Note: (1) Amounts are net of HST recoveries.

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

ISSUE BACKGROUND

Leaf and Yard Waste:

The City collects approximately 90,000 to 100,000 tonnes of Leaf and Yard Material annually for diversion which is currently processed under six (6) separate processing contracts which together provide capacity to process 110,000 tonnes per year of Leaf and Yard Material. Multiple contracts are required to ensure sufficient capacity during peak generation seasons (spring and fall).

The contracts recommended for award will provide capacity to process 60,000 tonnes per year of Leaf and Yard Material. Combined with the 40,000 tonnes per year of processing capacity provided by the four (4) existing contracts which will carry on into 2013, the three (3) new and four (4) existing contracts will provide the capacity to process 100,000 tonnes per year of Leaf and Yard Material, sufficient to satisfy the City's existing and future requirements.

Digester Solids:

Digester Solids is produced from the anaerobic digestion of the City's source separated organic material and requires secondary processing to produce high quality compost. Digester Solids is currently produced at the City's Dufferin organics processing facility at the rate of approximately 11,000 tonnes per year and is currently processed under three (3) separate contracts. All three (3) contracts expire at the end of 2012.

The City's new organics processing facility currently under construction at the Disco Road Transfer Station will commence processing source separated organic material in mid-2013 and will also begin producing Digester Solids at a rate of approximately 30,000 tonnes per year at that time.

Once the new Disco Road organics processing facility is fully operational, the existing Dufferin organics processing facility will be shut-down for a period of eighteen months to two (2) years for repairs and upgrades to the structure and processing systems.

The contract for Digester Solids processing services recommended for award will provide 30,000 tonnes per year of processing capacity which will be sufficient to support the operation of the new Disco Road facility. A competitive call will be issued for the processing of the Digester Solids produced by the Dufferin facility following its upgrade and commissioning.

COMMENTS

Solid Waste Management Services together with Purchasing and Materials Management Division issued Request for Proposal 6035-12-3000 for Processing Services for Leaf and Yard Material and Digester Solids to procure processing services from multiple contractors for a total of up to 60,000 tonnes per year of Leaf and Yard Material and up to 30,000 tonnes per year of Digester Solids.

The Request for Proposal was structured as a "two envelope" model and Proponents were required to submit a Technical Proposal and a Cost of Services Submission in two (2) separate

envelopes (envelope 1-technical and envelope 2-Cost of services) prior to the closing date. In a two envelope model cost information is excluded from the Technical Proposal. Proponents were required to meet a minimum technical threshold score as specified in the Request for Proposal (envelope 1). Each proponent that met the minimum technical threshold score had its separate sealed cost of services proposal (envelope 2) opened and evaluated to determine the highest ranked proponent(s).

The Request for Proposal was issued on January 18, 2012, and was made available on the City's internet website for download. The closing date for submissions was March 20, 2012. Twenty (20) firms downloaded the document from the web page. Proposals were received from the following eight (8) Proponents prior to the closing date:

- (1) All Treat Farms;
- (2) Courtice Auto Wreckers Ltd.;
- (3) Gro-Bark (Ontario) Ltd.;
- (4) Integrated Municipal Services;
- (5) Lystek International Inc.;
- (6) Miller Waste Systems Inc.;
- (7) N-Viro Systems Canada LP; and
- (8) WESA, Seprotect, WCI Consortium.

The Request for Proposal required a separate proposal for each proposed processing facility. Both Gro-Bark (Ontario) Ltd. and Courtice Auto Wreckers each submitted three (3) proposals; a separate proposal for each of three (3) different proposed processing facilities. In total, twelve (12) proposals were received from the eight (8) proponents prior to the closing date.

The Request for Proposal informed Proponents that the City would not award a contract for Leaf and Yard Material processing if their proposed per tonne processing fees exceeded a cost of \$56.00 per tonne exclusive of HST, which is the weighted average of the estimated 2013 rates of the current leaf and yard material contracts that will expire at that end of 2012. An analysis was completed which compared the existing contracts cost per tonne to the recommended cost per tonne price and it has been determined that the contracts recommended for award offer an annual cost savings of approximately \$178,000.

The Proposals were evaluated according to the 3 stage format as set out in the Request for Proposal:

- Stage 1, Compliance with Mandatory Requirements
- Stage 2, Technical Evaluation
- Stage 3, Cost Evaluation

Stage 1: Compliance with Mandatory Requirements

Each proposal was reviewed by Purchasing and Materials Management Division to determine if it met the mandatory requirements of the Request for Proposal. As a result of Stage 1 review, the following firms did not advance to Stage 2 of the evaluation process:

The three (3) Proposal(s) submitted by Courtice Auto Wreckers for each processing facility were declared non-compliant for failing to comply with the mandatory facility requirements as set out in the Request for Proposal.

The Proposal submitted by N-Viro Systems Canada LP was declared non-compliant because cost information was included in the Technical Proposal envelope, contrary to the requirements of the Request for Proposal.

The Proposal submitted by WESA, Seprotech, WCI Consortium was declared non-compliant as their proposal was qualified by including conditions that were contrary to the terms of the Request for Proposal.

Finally, the proposal submitted by Integrated Municipal Services offered three (3) tonnage options for processing Leaf and Yard Material however, as the largest tonnage option proposed product marketing activities contrary to the requirements of the Request for Proposal and therefore this option was not considered, leaving two (2) tonnage options for evaluation.

As a result of the mandatory review, seven (7) proposals (All Treat Farms, Gro-Bark (Ontario) Ltd. (3tonnage options), Miller Waste Systems Inc., Lystek International Inc. and Integrated Municipal Services were eligible to proceed to Stage 2: Technical Evaluation.

Stage 2: Technical Evaluation

A Selection Committee comprised of four (4) staff members from Solid Waste Management Services was established to complete the technical evaluation, using the criteria and the scoring methodology set out in the Request for Proposal. Technical proposals (envelope 1) were required to achieve a technical score of 30 points or more out of a possible 50 points in order for the corresponding Cost of Service submissions (envelope 2) to be considered and evaluated.

Proponents could also obtain up to ten (10) additional points for offering multiple tonnage options, or for proposing cost saving measures or value added work beyond the scope of work described in the Request for Proposal.

The Technical Scores were evaluated independently and then jointly by all members of the selection committee in accordance with a set of pre-established criteria set out in the Request for Proposal. All seven (7) evaluated proposals exceeded the minimum threshold of 30 points or more out of a possible 50 points. Therefore, the Cost of Service submission for each proposal were opened and evaluated.

Stage 3: Cost of Services Evaluation

Following the procedure set out in the Request for Proposal, a total annual cost (dollars per tonne) was calculated for each tonnage option. The total annual cost was used to determine a Cost Score, out of a possible 40 points for each tonnage option. The Cost Score (out of 40 points) was then added to the corresponding Technical Score (out of 50 points) and Additional Points (out of 10 points) to produce a Total Score for each tonnage option out of a possible 100 points.

In total, the seven (7) Proposals resulted in 116 unique combinations that together provide 60,000 tonnes of Leaf and Yard Material and 30,000 tonnes of Digestate Solids processing capacity. A Combined Total Score was calculated for each of the 116 combinations. The combinations were ranked by combined total score in descending order. The combination with the highest Combined Total Score ranked first. The Proponents in the first ranked combination are those with the highest Combined Total Score and offer the best value to the City but may not necessarily be the lowest cost proponents.

The combination of All Treat Farms Ltd. for 40,000 tonnes per year of Leaf and Yard Material and 30,000 tonnes per year of Digester Solids, plus Gro-Bark (Ontario) Ltd. for 10,000 tonnes per year of Leaf and Yard Material, plus Miller Waste Systems Inc. for 10,000 tonnes per year of Leaf and Yard Material achieved the highest Combined Total Score, and are therefore recommended as the Preferred Proponents with respect to these tonnage options.

The Proponents being recommended for award are firms that have been long standing in the organic waste processing industry and have demonstrated their experiences, knowledge, and operating experiences in processing Leaf and Yard Waste and Digester Solids through this evaluation process. All Treat Farms is located in Arthur, Ontario. Gro-Bark Organics is location in Georgetown, Ontario and Miller Waste Systems is located in Clarington, Ontario.

Proponent's scores and staff analysis of the evaluation results of this Request for Proposal can be provided to Councillors in an in-camera presentation if requested by members of City Council.

The Fair Wage Office has reported that the recommended Preferred Proponents have indicated that they have reviewed and understand the Fair Wage Policy and Labour Trades requirements and have agreed to comply fully.

CONTACT

Brian Van Opstal, Manager Operational Planning, New Infrastructure Development & Contracted Services, Solid Waste Management Services, Telephone: 416-397-0143, Fax: 416-397-1584, E-mail: bvanops@toronto.ca

Elena Caruso, Manager, Goods & Services, Purchasing and Materials Management Division, Telephone: 416-397-4814, Fax: 416-392-8411, E-mail: ECaruso@toronto.ca

SIGNATURE

Vincent Sferrazza
Acting General Manager
Solid Waste Management Services

Michael Pacholok
Acting Director
Purchasing & Materials Management Division