

Disco Road Organics Processing Facility Future Operations and Maintenance Agreement Amendment

Date: May 7, 2019

To: Infrastructure and Environment Committee

From: General Manager, Solid Waste Management Services

Wards: All

SUMMARY

In 2018, City Council, granted the General Manager, Solid Waste Management Services, delegated authority, through item 2018.PW.31.11, to enter into any agreements necessary to operate, maintain, or undertake capital improvements to continue to process source separated organics at the Disco Road Organics Processing Facility, for a five year term with the option to renew up to an additional five years

Solid Waste Management Services is currently negotiating an agreement with the existing vendor to operate and maintain the Disco Road Organics Processing Facility. Through the negotiations, staff have determined that the 5+5 year term structure may not represent the best value to the City. This report recommends amending the decision to allow delegated authority for a term up to 10 years. This change will not introduce any new risk into the agreement and has the potential to reduce costs and provide better value for the City.

RECOMMENDATIONS

The General Manager, Solid Waste Management Services, recommends that:

1. City Council amend its decision on 2018.PW31.11 to authorize the General Manager, Solid Waste Management Services and/or designate to negotiate and enter into any agreements necessary to operate, maintain, or undertake capital improvements to continue to process source separated organics at the Disco Road Organics Processing Facility, for terms up to 10 years, at the sole discretion of the General Manager, Solid Waste Management Services, based in part on the pricing information for operational costs adopted by City Council on July 23, 24, 25, 26, 27 and 30, 2018, on terms satisfactory to the General Manager, Solid Waste Management Services and the Chief Financial Officer and Treasurer and each in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

There is no immediate financial impact resulting from the adoption of the recommendation in this report.

The authority to the General Manager, Solid Waste Management Services and/or designate, to directly negotiate an agreement for a term up to 10 years has the potential to reduce costs and provide better value for the City.

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

DECISION HISTORY

At its meeting on July 23, 24, 25, 26, 27, 30, 2018, City Council adopted Item PW31.11 titled "Green Bin Organic Waste Processing and Capacity in the Province of Ontario", which renewed and extended the authority of the General Manager, Solid Waste Management Services and/or designate to negotiate and enter into any agreements necessary to operate, maintain, or undertake capital improvements to continue to process source separated organics at the Disco Road Organics Processing Facility, for terms up to June 30, 2024, with an option to renew for up to an additional 5 years until June 30, 2029.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.PW31.11>

At its meeting on November 30 and December 1, 2, 4, and 7, 2009, City Council adopted Item PW28.13 titled "Design, Build and Operate a New Source Separated Organic Material Processing Facility at the Disco Road Transfer Station on a Sole Source Basis". This report authorized and directed the General Manager, Solid Waste Management Services, to enter into sole source negotiations with AECOM Canada Ltd. to execute a contract to design, build and operate a new facility (now the Disco Road Organics Processing Facility) to process the City's source separated organics at the Disco Transfer Station site.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.PW28.13>

COMMENTS

In 2018, City Council, as per 2018.PW.31.11, granted the General Manager, Solid Waste Management Services delegated authority to enter into any agreements necessary to operate, maintain, or undertake capital improvements to continue to process source separated organics at the Disco Road Organics Processing Facility, for a 5 year term with the option to renew up to an additional 5 years. City staff is currently

negotiating an agreement for the continued operations and maintenance of the Disco Road Organics Processing Facility. Staff have determined that it would be in the best financial interest of the City to allow the General Manager, Solid Waste Management Services to enter into an agreement for a term up to 10 years.

The longer term flexibility is expected to result in a more competitive price from the vendor. Under a shorter term (i.e. 5 years with an option to renew for an additional 5 years), the vendor may seek to recuperate the majority of the associated capital costs during the first 5 year term since the renewal term is not guaranteed. This may result in a higher processing fee for the City. If granted the flexibility to enter into an agreement up to 10 years, the General Manager, Solid Waste Management Services can request the vendor provide multiple prices for varying terms to ensure best value to the City.

This amendment does not pose any additional risk to the City. The vendor will be required to meet all specified performance requirements and any relevant Ministry of Environment, Conservation & Parks requirements. Solid Waste Management Services will still maintain a Letter of Credit for \$2.5 million to ensure ongoing operations and maintenance performance by the vendor over the term of the contract. Additionally, the City can sever the Contract prematurely for reasons of non-performance by the vendor.

CONTACT

Carlyle Khan, Director, Infrastructure Development & Asset Management, Solid Waste Management Services, Telephone: 416 392-5488, Fax: 416-392-4754, E-mail: Carlyle.Khan@toronto.ca

SIGNATURE

Matt Keliher
General Manager
Solid Waste Management Services