



**STAFF REPORT
ACTION REQUIRED**

**Contract Award RFQ 6033-11-3186 – Curbside
Collection, District 2**

Date:	October 17, 2011
To:	City Council
From:	Acting General Manager, Solid Waste Management Services Director, Purchasing and Materials Management Division
Wards:	7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, part 22, part 23, part 27
Reference Number:	P:/2011/swms/October/009CC

SUMMARY

The purpose of this report is to advise Council on the results of the Request for Quotation (RFQ) 6033-11-3186 for the curbside collection of materials in the area bounded by Yonge Street to the east, Humber River to the west, Steeles Avenue to the north and Lake Ontario to the south for a seven (7) year period (2012-2019) with the option to extend the resulting contract for two (2) additional separate one (1) year periods, and to request authority to enter into a legal agreement with Green for Life Environmental East Corporation being the lowest bidder meeting specification.

RECOMMENDATIONS

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

1. City Council award a contract to GFL Environmental East Corporation, being the lowest bidder meeting specifications, for the collection of materials listed in RFQ 6033-11-3186 for a period of seven (7) years commencing August 7, 2012 to August 2, 2019 with an option to extend the resulting contract for (2) additional separate one (1) year period(s), at the sole discretion of the Acting General Manager, Solid Waste Management Services, for a grand total contract value of \$186,405,881.65 including an estimated annual adjustment for CPI and net of HST recoveries.

Financial Impact

The total estimated contract award including optional years is \$206,995,525.03, inclusive of all applicable taxes and estimated annual consumer price index (CPI) adjustments. The total potential cost to the City is \$186,405,881.65 including adjustment for CPI and net of HST recoveries. The estimated funding, including adjustment for CPI and net of HST recoveries, required for the period from August 7, 2012 to December 31, 2012 is \$7,570,076.75. This required funding for 2012 already forms part of the base operating budget for the Program and will be included in the 2012 Recommended Operating Budget for Solid Waste Management Services in cost centre SW1020. The balance of the funds required in the years of the contract (2013 to 2021) in the amount of \$178,835,804.91 will be included in the Program's Operating Budget submissions in cost center SW1020. Funding details are provided below in Table 1:

Table 1: Recommended Collection Contract District 2 – Net of HST recoveries (\$000s)

	Aug.7, 2012 to Dec. 31, 2012	Jan. 1, 2013 to Aug. 2, 2019	Option Year 1 Extend to July 31, 2020	Option Year 2 Extend to Aug. 6, 2021	Total Potential Contract Award (Net of HST Recoveries)
Base Contract	\$7,160.25	\$127,075.21	\$20,820.78	\$21,258.02	\$176,314.26
Contingency	\$409.83	\$7,273.34	\$1,191.71	\$1,216.74	\$10,091.62
Total Costs	\$7,570.08	\$134,348.55	\$22,012.49	\$22,474.76	\$186,405.88

The totals above include an estimated CPI of 2.1% per year.

A contingency of \$1.0 million per year excluding all taxes has been added to the budget for additional work that was not identified in the RFQ but may be required in each of the years in the term of this contract. If such engagement becomes necessary the Acting General Manager of Solid Waste Management Services will consult with the contractor outlining the details of such work.

Estimated Savings

The 2011 Approved Budget for District 2 - Curbside Collection is \$27,720,557. The potential award has a cost of \$18,796,449 annually, net of HST recoveries to provide curbside collection in District 2. After ancillary savings such as Contribution to Fleet Reserves and one-time proceeds from the sale of fleet assets and ancillary costs such as contract administration, this award is estimated to save approximately \$11.9 million or 32% in the first year. On an on-going annual basis, this cost savings estimate is expected

to be \$11.1 million or 30%. The savings over the main 7-year term of the contract is anticipated to be approximately \$78.4 million excluding inflation. The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On May 17, 18 & 19 2011, City Council adopted with amendments the Public Works and Infrastructure Committee (PWIC) Report PW3.1 entitled "Solid Waste Management Services Garbage Collection Request for Quotations (RFQs)" granting the Acting General Manager of SWMS, in consultation with the Director of PMMD, authority to issue a RFQ for: All daytime curbside collection west of Yonge Street to the Etobicoke border (District 2). The City Council decision document (Item PW3.1) can be viewed at: <http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=4417>

City Council further directed the Acting General Manager of SWMS and the Director of PMMD as follows:

- a) award of the RFQ described above be submitted directly to City Council for approval;
- b) preclude consideration of any bid received from Progressive Waste Solutions Ltd. or any other bidder affiliated with or otherwise controlled by Progressive Waste Solutions Ltd.;
- c) a minimum cost savings threshold be written into the RFQ;
- d) diversion targets must meet or exceed current City Standards;
- e) request bidders to identify how the bidders would utilize any current staff who may be displaced by the contracted services; and
- f) the City Manager conduct an independent review of both the bid/contract numbers and the cost for identical services provided by the City.

ISSUE BACKGROUND

Procurement Process

The RFQ 6033-11-3186 was issued by PMMD on August 10, 2011, and was available for download on the City's internet website. Thirty-two (32) firms either downloaded the document from the PMMD website or purchased a hard copy of the RFQ document. A total of seven (7) addendums were issued in response to questions sent to PMMD prior to the closing date. A Fairness Monitor, Knowles Consultancy Services Inc., was engaged throughout the entire procurement process.

Two (2) voluntary bidders' meetings were held at Ingram Yard on August 22, 2011 and September 14, 2011. These voluntary meetings provided the bidders the opportunity to tour Ingram Yard, and ask questions in regards to the contents of the RFQ and the procurement process. The Fairness Monitor was present on both occasions.

The closing date for submissions was September 30, 2011 at noon, local time. PMMD at its Public Opening held on September 30, 2011 opened the five (5) bids received, which are summarized below in Table 2:

Table 2

Bidder	Total Estimated Price Per Year
GFL Environmental East Corporation	\$17,471,353.25
Miller Waste Systems Inc.	\$20,978,787.46
Halton Recycling Ltd. dba Emterra Environmental	\$23,946,565.72
Waste Management of Canada Corporation	\$25,600,723.20
Waste Management of Canada Corporation (Alternative Bid) *	\$23,836,800.00

* The alternate bid submitted by Waste Management of Canada Corporation was found to be non-compliant because of conditions placed on their bid.

COMMENTS

This RFQ was developed to replicate the existing residential collection services currently being provided by City forces in District 2. There are no changes in material collection(s), service frequency or customer pickup in the RFQ.

Contract Start Date

As part of the RFQ, bidders were asked to indicate whether they would be able to commence work on July 3, 2012 instead of August 7, 2012. All bids received indicated that they would commence work on August 7, 2012. The contract with the recommended

bidder, as a result, will be from August 7, 2012 to August 2, 2019 with the option to extend the resulting contract for two (2) additional separate one (1) year period(s). If both option years are exercised, the contract will end on August 6, 2021.

Ingram Yard Lease

A portion of the Ingram Yard that is currently used for operations associated with collections in District 2 was made available for lease, as part of the RFQ, at fair market value to bidders for operations associated with this contract only. The recommended bidder did not take the option to lease the Ingram Yard.

Minimum Cost Savings:

In accordance with Item 3(b) of PW3.1, as amended by City Council, a minimum cost threshold was written into the RFQ. To ensure that the savings could be achieved, a cost threshold of \$25,975,030.00 (excluding all taxes) was written into the RFQ that required bidders to demonstrate that they would be able to provide the savings stated. Table 3 below describes how the cost threshold was calculated for the RFQ. The current in-house salaries and benefits for District 2 are \$20,882,000 (2010 dollars). A minimum savings of 15% (\$3,132,300) on salaries and benefits was estimated. The overall total cost of District 2 (2010 dollars) was \$27,446,000 including salaries & benefits, operating maintenance costs, fleet charges, gasoline and vehicle repairs.

Table 3

District 2 Minimum Cost Threshold (\$)	
2010 Salaries/Benefits	20,882,000
15% Savings	(3,132,300)
Other District 2 Costs	6,564,000
Total 2010 District 2 Costs	27,446,000
Less 15% Savings	(3,132,300)
2010 Minimum Cost Threshold	24,313,700
2012 Minimum Cost Threshold Adjusted for Inflation	25,975,030

All four (4) compliant bids received were below the minimum cost savings threshold stated in the RFQ.

Diversion Targets:

Item 3(c) of PW3.1, as amended by City Council, directed the Acting General Manager of SWMS and the Director of PMMD to include in the RFQ that diversion targets must meet or exceed current City standards and may not be reduced from the present targets. The requirement goes further to state that if the City increases diversion rates east of Yonge Street, then the contractor will be required to also meet the increased diversion rates west of Yonge Street. As previously noted, a contingency of \$1.0 million per year

excluding all taxes has been added for additional work that may be required in each of the years in the term of this contract.

Diversion targets are set City-wide and not by the District. Furthermore, diversion targets being reached are reliant on numerous factors, including proper education, the provision of appropriate tools (bins), service convenience, enforcement and citizens' participation in the diversion programs. However, the role of the Contractor in collecting the material is important to ensure that the City can track diversion properly and the Contractor must be capable of adapting to the introduction of new diversion methods. To that end, the RFQ included requirements that must be met with respect to the collection of materials, including the non contamination of materials, vehicle configuration and liquidated damages for non-performance. Management staff oversight, spot audits and analysis of weigh scale data will also help to ensure that the contractor is in compliance with diversion requirements.

Utilization of Displaced Staff:

Item 3(d) of PW3.1, as amended by City Council, directed the Acting General Manager of SWMS, and the Director of PMMD to include in the RFQ that bidders identify how they would utilize any current City staff that may be displaced as a result of the RFQ. The recommended bidder has met this requirement by offering to accept applications for employment from those temporary workers who may seek employment with the bidder.

Fairness Monitor:

A Fairness Monitor was engaged to provide independent oversight throughout this procurement process to ensure transparency and fairness in the preparation of the RFQ and in the evaluation of the bids. Item 4 of PW3.1, as amended by City Council, directed the City Manager to ensure that the Fairness Monitor identify any issues or concerns in the preparation of the RFQ in their report. The Fairness Monitor's report is provided as Attachment 1 to this report. The Fairness Monitor concluded that the RFQ process was conducted in a fair, open, transparent manner consistent with the RFQ document.

Independent Review:

In accordance with Item 5 of PW3.1, amended by City Council, the City Manager engaged Ernst and Young to conduct an independent review of both the bid/contract numbers and the cost for identical services provided by the City and for those comparisons to be brought forward with the successful bid when the item is considered by City Council. The independent review determined that both the bid/contract numbers along with the minimum savings were found to be reasonable. The independent review is provided as Attachment 2 to this report.

The Fair Wage Office has reported that the recommended firm has indicated that it reviewed and understands the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

CONTACT

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SIGNATURE

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ATTACHMENTS

Attachment 1 – Fairness Monitor Report (Knowles Consultancy Services Inc.)

Attachment 2 – Independent Audit (Ernst & Young Report)