



**STAFF REPORT
ACTION REQUIRED
with Confidential Attachment**

**Solid Waste Management Services Garbage Collection
Request for Quotations (RFQs)**

Date:	April 14, 2011
To:	Public Works and Infrastructure Committee
From:	General Manager, Solid Waste Management Services Director, Purchasing and Materials Management Division
Wards:	All
Reason for Confidential Information:	This report involves the security of property belonging to the City or one of its agencies, boards, and commissions.
Reference Number:	P:/2011/swms/April/002PW

SUMMARY

Solid Waste Management Services Division (SWMS) is recommending issuance of four Request for Quotations (RFQs) for the following:

1. All daytime residential curbside collection west of Yonge Street to the Etobicoke border (Initiative #1);
2. Litter and recycling collection in City parks (Initiative #2);
3. An increase in City-wide mechanical litter vacuum operating services (Initiative #3); and
4. Contingency residential curbside collection (Initiative #4).

The report is also requesting approval to delegate authority to the Bid Committee in order to expedite the award process for the RFQs for Initiatives #1 and #2 to establish what savings the City can expect to receive. This will enable SWMS to incorporate the potential savings into its Recommended 2012 Solid Waste Management Operating Budget. Award of contracts by Bid Committee also ensures the contracts are executed in advance of the expiration of existing Collective Agreements. Initiatives #3 and #4 do not

require delegated authority to be awarded by Bid Committee because the contract terms and expenditures comply with existing By-law conditions for Bid Committee review and approval of contract awards.

RECOMMENDATIONS

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

1. City Council authorize the General Manager, Solid Waste Management Services (General Manager), in consultation with the Director of Purchasing and Materials Management Division, to issue the following Request for Quotations (RFQs):
 - a. For the daytime residential curbside collection west of Yonge Street to the Etobicoke border for a term of seven (7) years, with an option to extend the resulting contract for an additional two (2) separate (1) one year extensions at the sole discretion of the General Manager ;
 - b. For the collection of litter and recycling in City parks for a term of seven (7) years; with an option to extend the resulting contract for an additional two (2) separate (1) one year extensions at the sole discretion of the General Manager;
 - c. For additional mechanical litter vacuum operations services throughout the City for a term of five (5) years; and
 - d. For contingency residential curbside collection services for a term of five (5) years.
2. City Council delegate authority to the Bid Committee to award the RFQs described in Recommendation 1a and 1b, subject to the following conditions being met, failing which the award will be made by Council:
 - a. That the price quoted by the recommended bidder be within the Approved 2011 Solid Waste Management Services Operating Budget;
 - b. That there are no material written objections by a bidder, as defined in Chapter 195, Purchasing, of the Toronto Municipal Code, to the award; and
 - c. That the award is to the lowest price bidder meeting specifications.
 - d. All requirements of the Purchasing By-Law, Chapter 195 are met.

3. City Council direct that Confidential Attachment 1 of the report remain confidential indefinitely under the provisions of the City of Toronto Act, 2006, as it relates to the security of property of the City or one of its Agencies, Boards and Commissions.

Financial Impact

Initiative #1 – Daytime Residential Curbside Collection west of Yonge Street to the Etobicoke border

The area of residential curb-side collection that would be tendered out for a competitive bid is generally bounded by Yonge Street to the east, the Humber River to the west, Steeles Avenue to the north and Lake Ontario to the south. There are approximately 165,000 single-family homes in the area. (See map in Appendix 1).

The Approved 2011 Solid Waste Management Services Operating Budget for Curbside Collection Services in District 2 is \$27.721 million. The Approved 2011 Solid Waste Management Operating Budget for the contribution to the Equipment Reserve is \$10.417 million. It is estimated that the contribution can be reduced by \$3.0 million if Initiative #1 is approved and proceeds.

Potential Savings

In a 2005 staff report to City Council, staff determined that in the former Etobicoke area, having the private sector continue to collect all daytime residential curbside materials saved the City approximately 20% or \$1.8 million less than utilizing City unionized staff. City Council requested staff to retain an independent third party to review the aforementioned 2005 findings. In a June 15, 2006 Report "*City of Toronto Curbside Waste Collection in Former Etobicoke and York*" SF Partnerships Chartered Accountants confirmed the validity of the calculations used in the staff analysis.

Since 2005, significant changes have occurred within the residential curbside collection program including new garbage and recycling bins, collection automation, volume-based user fees, and new waste materials included for recycling collection. It should be noted that there are significant demographic, density and physical challenge variations amongst the four Districts making direct comparisons difficult. Nevertheless, even with the many program changes, the City-wide cost per household for collection is still the lowest in the Etobicoke area, which utilizes contracted forces. Table 1 provides a breakdown of the cost and tonnage differences between the four districts.

Table 1 – 2010 Actual Direct Operating Costs per Collection District

	In-house Districts				Contracted Out
	District 2	District 3	District 4	TOTAL	District 1
Salaries and Benefits	20,882,000	15,362,000	11,160,000	47,404,000	
Fleet and other Expenses	6,564,000	4,754,000	3,500,000	14,818,000	
Net Expenditures	27,446,000	20,116,000	14,660,000	62,222,000	7,766,000
Single Family House Count per district	165,407	117,284	113,611	396,302	65,429
Cost per house	\$165.93	\$171.52	\$129.04	\$157.01	\$118.69
Total tonnages	183,360	131,347	129,421	444,127	75,295
Cost per tonne	\$149.68	\$153.15	\$113.27	\$140.10	\$103.14

Table 1 also indicates that salaries and benefits represent approximately 75% of a District's budget. Therefore, one of the main components of a future private sector collection contract will also be labour related costs. A staff analysis indicates that the cost of wages, benefits and terms and conditions of the Collective Agreement (direct and indirect costs) for City employees performing the duties of either a Driver/Loader or One Person Recycling Operator are approximately 15% to 20% higher than the private sector. Table 1 in Confidential Attachment 1 provides a comparative analysis of salary and benefits between Local 416 employees and with comparable employees from private sector waste management companies. Recent surveys and analysis from the Fair Wage Office corroborates SWMS staff analysis in Table 1 in Confidential Attachment 1. While equipment/fuel and other associated costs are somewhat similar, the private contractors typically operate with smaller fleets, fewer spare vehicles, fewer staff and lower overhead. Therefore, staff anticipates a 15% to 20% labour related savings from contracting out the daytime Residential Curbside Collection in District 2 (west of Yonge Street to the Etobicoke border).

Additional savings will be realized with the reduction of \$3.0 million to the contribution for equipment and vehicle reserves associated with the purchase of vehicles for District 2, lease revenue from the Ingram facility, and the one time revenue estimated at \$1.5 million realized from the sale of assets.

Initiative #2 – Litter and Recycling Collection in City Parks

The Approved 2011 Solid Waste Management Services Operating Budget for Litter and Recycling Collection in City Parks is approximately \$4.5 million.

This function was partially transferred beginning in 2010 to Solid Waste Management Services from Parks, Forestry and Recreation and the transfer of work is expected to be completed in 2011. Not unlike Initiative #1, it is anticipated that savings in Initiative #2 will result from salaries and benefits variations between City and contractor staff and vehicle reserve contribution savings.

Staff analysis of salaries and benefits for Local 416 City staff indicate current direct labour costs are approximately \$44 per hour, while comparable private sector operations throughout the GTA are estimated to be \$31-\$34 per hour or approximately 25% less (See Table 2 in Confidential Attachment 1 for further details).

Initiative #3 – Mechanical Litter Vacuum Operations Services

The Approved 2011 Solid Waste Management Services Operating Budget for Litter Vacuum Operations Services is \$4.5 million.

Solid Waste Management Services currently has 12 contracted mechanical litter vacuums. SWMS is recommending an additional 17 in-house units be contracted out for a total of 29 litter vacuum units contracted out. A comparative analysis of labour costs between existing City staff and the existing private sector operations show City costs are estimated to be approximately 35% higher (see Table 3 in Confidential Attachment 1 for further details).

It is noted that for comparison purposes, equipment/fuel costs for both operations would be somewhat similar; however contractors typically run with fewer spare pieces of equipment and lower staffing ratios.

The analysis compiled for Tables 1, 2 and 3 in Confidential Attachment 1 is collected from publicly available information such as collective agreements but, in some cases, 3rd party information was used that staff cannot definitively verify. With these provisos and limitations clearly stated, staff is providing the information for general understanding. While this information may be of some benefit to Council, in staff's view this information is useful only to appreciate some of the factors that will likely contribute to the bids received. Ultimately should Council direct City staff to move forward, any actual savings and all decision(s) with respect to the delivery of these services will be based on the actual bids received.

Potential Net Savings from Initiatives 1, 2 and 3

Table 2 below represents the combined potential net savings from contracting out the three above mentioned initiatives. The estimated net savings are based on the percentage assumptions derived from comparative cost analysis and provision for additional expected contract management and administrative costs.

Table 2 – Contracted Out Net Savings

	2011 Approved Budget	Estimated Net Savings
<u>Anticipated Savings with Curbside Residential Collection (Initiative 1):</u> <ul style="list-style-type: none"> District 2 Operating Expenditures including Support Costs & Contribution to Equipment Reserve 	\$30,721,000	\$7,000,000
<u>Anticipated Expenditures associated with Contract Management for all Initiatives</u> <ul style="list-style-type: none"> Contract Supervision Contract Administration, Compliance and Oversight 		(\$1,000,000)
Sub Total	\$30,721,000	\$6,000,000
<u>Anticipated Savings with Outsourcing (Initiatives 2 &3):</u> <ul style="list-style-type: none"> Waste & Recyclable Collection in City Parks Litter Vacuuming – 50% of Units Contracted 	\$4,594,000 \$4,584,000	\$900,000 \$100,000
Sub Total	\$9,178,000	\$1,000,000
<u>Associated Savings & Revenues:</u> <ul style="list-style-type: none"> Lease of Ingram Yard Revenue Finance & Administrative IT Support & Desktop Costs Insurance Reserve Contribution 	---- \$4,070,000 \$1,950,000	\$850,000 \$100,000 \$ 50,000
Sub Total	\$6,020,000	\$1,000,000
Estimated Total Recurring Net Savings		\$8,000,000
<u>First Year Transition Costs and Savings</u> <ul style="list-style-type: none"> Administrative Staff Costs Labour Relations Fairness Monitor Costs Revenue from Sale of Assets – Fleet & Equipment 		(\$300,000) (\$250,000) (\$100,000) 1,500,000
One Time Savings		\$850,000

Initiative #4 – Contingency Residential Curbside Collection

The Approved 2011 Solid Waste Management Services Operating Budget for Residential Curbside Collection is \$62.0 million for residential collection in Districts 2, 3 and 4.

Over the past year, significant employee absenteeism has created challenges in completing the daily collection operation in the Districts served by Local 416 staff. There have been numerous occasions where illness and absenteeism in excess of historical levels has required the use of significant overtime to complete the daily workload. Any costs and/or savings will be determined at a later date if and when the contingency contractor is engaged.

Staff is proposing that to ensure daily collections are completed, contingency private sector collection contractors be engaged to complete unfinished work, where necessary,

should such absenteeism or other unforeseeable factors continue to be an issue in the operations.

Staff will issue a Request for Quotation to supplement existing residential curbside collection services on an ad hoc or call-out basis as may be required to ensure service continuity. Costs for this initiative will be incurred only if and when the contractor is engaged to work.

As a practical matter it is not anticipated that other factors such as increased set out of leaf and yard waste materials (particularly in the fall) or heavy snowfalls would lead to engagement of the contingency contractor.

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

DECISION HISTORY

At its meeting of March 5, 6, 7 and 8, 2007, City Council adopted the recommendations contained in Public Works and Infrastructure Committee report PW3.2 entitled "Etobicoke, York, Multi-unit Residential and White Goods Collection Contracts" authorizing staff to re-tender the contracted residential collection services in former Etobicoke and re-tender the contracted collections from multi-unit residential apartments City-wide, and to in-source residential collection in former York and the collection of white goods in former East York, Etobicoke, Scarborough and York.

The City Council Decision Document (Page 45, Item #PW3.2) can be viewed at: <http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-03-05-cc03-dd.pdf>

The Staff Report titled "Etobicoke, York, Multi-unit Residential and White Goods Collection Contracts" dated January 31, 2007 can be viewed at: <http://www.toronto.ca/legdocs/mmis/2007/pw/bgrd/backgroundfile-1461.pdf>

At its meeting of June 27, 28 and 29, 2006, City Council adopted with amendment, Works Committee Report 3, Clause 17b "Progress Report on the Options for Addressing Currently Contracted Curbside Waste and Recycling Collection Operations in the Former Etobicoke and York".

The City Council Decision Document (Page 14) can be viewed at: <http://www.toronto.ca/legdocs/2006/agendas/council/cc060627/cofa.pdf> and

At its meeting of June 14, 2006, City Council postponed consideration of Works Committee Report 3, Clause 17a "Progress Report on the Options for Addressing Currently Contracted Curbside Waste and Recycling Collection Operations in the Former Etobicoke and York".

The City Council Decision Document can be viewed at:

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060614/wkscl017a.pdf>

The Staff Report titled “Progress Report on the Options for Addressing Currently Contracted Curbside Waste and Recycling Collection Operations in the Former Etobicoke and York” dated April 19, 2006 can be viewed at:

<http://www.toronto.ca/legdocs/2006/agendas/committees/wks/wks060503/it032.pdf>

The Staff Report to the Works Committee titled "Plan to In-Source Currently Contracted Curbside Waste and Recycling Collection Operations in the Former Etobicoke and York" dated October 27, 2005 can be viewed at:

<http://www.toronto.ca/legdocs/2005/agendas/committees/wks/wks051108/it005a.pdf>

ISSUE BACKGROUND

On February 7, 2011, the City of Toronto provided notice to the Toronto Civic Employees' Union (TCEU), Local 416, of its intention to recommend a competitive bid process to City Council for three areas of work currently carried out by TCEU members. The services under consideration are provided by the Solid Waste Management Services Division and include all daytime, residential curb-side collection west of Yonge Street to the Etobicoke border, an increase in privatized City-wide litter vacuum operations services, and parks litter/recycling collection within City parks throughout the city. In addition, the City notified the TCEU of its intention to issue a Request for Quotations (RFQs) for contingency collection services to be provided anywhere across the city, as required.

The written notice delivered to the TCEU meets the City's obligation under the collective agreement to provide three months' notice of its intention to put the recommendation before Council for its consideration. In the three service areas, it is anticipated that approximately 300 positions would be affected. The vast majority of staff impacted are temporary employees not subject to the job security provisions of the Collective Agreement.

Currently, Solid Waste Management Services Division contracts out approximately 51 percent of its overall solid waste operations including residential curb-side pickup in the former City of Etobicoke, bulk collection in apartments and condominiums, approximately 25 per cent of litter vacuum operations services, and various processing and hauling operations.

COMMENTS

Collective Agreement

The City has complied with the collective agreement in all regards as it relates to this matter. This includes the issuance of notice to the TCEU, the initial provision of information relative to the proposals, meeting with the TCEU and providing further information as requested. In this regard, the TCEU has been kept fully apprised of these

initiatives in order for them to be positioned to make an informed submission and response to the recommendations proposed. In addition, the City has met with and responded to the TCEU requests in a timely fashion – in all cases, well within the timeframes required.

Service Impacts

All waste collection districts provide the same level of service across the city. A private sector contractor currently collects residual waste, recyclable (blue bin) material, organic (green bin) materials, durable goods and electronic waste materials from residential homes in District 1 (Etobicoke area), which is similarly performed in the other Districts serviced by Local 416 city staff. Should a private waste collection company be contracted to collect materials in District 2, it is not anticipated that residents will detect any change in service levels or standards.

Target 70 Strategy Impacts

The City's efforts to reach 70% diversion from disposal will not be impacted or delayed by any of the proposed contracting out initiatives. Currently all Target 70 diversion programs are offered and implemented equally across the city regardless of who supplies the service. There will be no change to the implementation of any existing or future diversion programs if residential curbside collection in District 2 is contracted out. A contractor will be expected to fulfill any and all existing or future diversion program requirements.

Customer Service Measures

One of the ways the City currently measures Customer Service for residential collections is the number of complaints received from the public. Typically complaints are for missed collection, bins not returned to set out location, or materials not collected. Staff monitor complaints through the City's 3-1-1 information system and strive to resolve them usually within 48 hours. The complaints are tracked by District so management staff can work with both Collection Operations (City staff and contractors) and residents to resolve issues.

Complaint numbers for 2010 are shown in Appendix 2. The statistics show there is no material difference in the number of complaints received between the area served by the contractor (District 1) and the remainder of the City (Districts 2, 3, and 4) served by City staff.

Timelines

Appendix 3 provides the proposed timelines associated with each Initiative. A RFQ for each Initiative will be released in July however each Initiative will have a different commencement date.

Initiative	Commencement of Work
1. Collections District 2	August 2012
2. Parks	April 2012
3. Litter Vacuuming	April 2012
4. Contingency Curbside Collections	It is estimated contract(s) will be in place and available by September 2011 on an as and when required basis

Initiative #1 has the latest commencement date to allow sufficient lead time for the successful contractor to purchase the required collection vehicles associated with curbside collection and to employ necessary staff. Approving delegation of authority to Bid Committee will allow sufficient lead-time for the successful contractor to make the necessary arrangements to start operating in August 2012. Current lead-time for the purchase and delivery of collection vehicles is approximately 8 - 10 months.

Delegated Authority to the Bid Committee

Under Chapter 195, Purchasing, (the "Purchasing By-law") the Bid Committee can award contracts where the award and resulting commitment have funding approval and the amount of the award is equal to or less than \$20 million and where the commitment limit is at most five years (i.e. the term of the contract). Where the award is for a contract value greater than \$20 million and where the commitment limit is at most five years, the Purchasing By-law states that the appropriate Standing Committee makes the award. Finally, in situations where the contract to be awarded has a commitment level greater than five years, the Purchasing By-law states that Council is required to make the award regardless of the overall contract value.

For Initiatives #1 and #2, the resulting total contract value exceeds \$20 million and is for a term greater than five (5) years, and therefore City Council, pursuant to the Purchasing By-law, would be required to make the award.

This report recommends that the Bid Committee be delegated the authority to award the RFQ for Initiatives #1 and #2 discussed in this report, for a term of contract of seven (7) years plus two (2) additional separate one (1) year extensions. The Chief Purchasing Official, after consulting with the General Manager, will recommend to the Bid Committee the award to the lowest priced bidder who meets the requirements of the call.

The delegated authority for the Bid Committee for these two awards will be subject to the following conditions being met:

- The Chief Purchasing Official, after consulting with the General Manager, has recommended the award to the lowest priced bidder meeting the requirements of the call;
- There is no material written objection to the merits of the award filed by a bidder before the award is made; and
- The award is within the Approved 2011 Solid Waste Services Operating Budget; and

- All requirements of the Purchasing By-Law, Chapter 195 are met.

If any of the above conditions are not met, for one or more of the RFQs, the impacted RFQ will be directed back to Standing Committee and Council for consideration. Further, if all of the bids received are rejected or are over-budget, then Solid Waste Management Services, in conjunction with the Chief Purchasing Official, will report to Council the results of the RFQ.

The reasons the General Manager and the Chief Purchasing Official are recommending that the Bid Committee be delegated authority to award the RFQ for Initiatives #1 and #2 are as follows:

- Postponing the award of the contracts will delay the significant savings the City can anticipate. The predicted savings associated with Initiative #1 is approximately \$500,000 per month and with Initiative #2 when combined with the savings of Initiative #3 (where delegated authority is not being requested) result in a combined savings of approximately \$100,000 per month for a combined net savings of approximately \$600,000 per month. If the RFQs results for Initiatives #1 and #2 were to return to Committee and Council to award in November 2011, the successful contractor would require an additional 3 months in order to prepare which would extend the commencement date of the contract for both Initiative #1 and #2 as follows:
 - For Initiative #1, the commencement date would be pushed back from August 2012 to February 2013. This is because staff would not recommend starting a new collection contract in November during peak leaf and yard waste season and the subsequent significant waste volumes associated with the Christmas holiday season. With a February 2013 commencement date, \$3.0 million of potential savings would be foregone.
 - For Initiative #2, the commencement date would be extended from April 2012 to July 2012. With a July 2012 commencement date, \$300,000 of potential savings would be foregone.
- If the commencement date is extended to February 2013 for Initiative #1, SWMS could not incorporate the potential savings into its 2012 Solid Waste Management Budgets;
- To ensure that the contracts are awarded and executed in advance of the expiration of existing Collective Agreements. The current Collective Agreements with the TCEU(s) expire December 31, 2011.

The RFQ for (Initiative#3) Mechanical Litter Vacuum Operations Services and the RFQ for (Initiative#4) Contingency Residential Curbside Collection will follow the normal procedure set out in the Purchasing By-law, and will be awarded by the Bid Committee as they will comply with the By-Law conditions.

Furthermore, a Fairness Monitor has been selected to provide oversight throughout all stages of Initiative #1 and #2 RFQs. The role of the Fairness Monitor is to ensure transparency and fairness in the preparation of the RFQs and in the subsequent evaluation of the bids. The Fairness Monitor will also monitor and document all aspects of the award process.

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SIGNATURE

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ATTACHMENTS

Confidential Attachment 1
Appendix 1 – Solid Waste Management Districts
Appendix 2 – 2010 Complaint Numbers
Appendix 3 – RFQ's Timelines