



**STAFF REPORT  
ACTION REQUIRED**

**Contract Award: Request for Proposal 9150-11-3066 for  
Single Stream Recyclable Materials Processing  
Contract**

<b>Date:</b>	June 8, 2011
<b>To:</b>	Public Works and Infrastructure Committee
<b>From:</b>	Acting General Manager, Solid Waste Management Services Director, Purchasing and Materials Management Division
<b>Wards:</b>	All
<b>Reference Number:</b>	P:/2011/SWMS/JUNE/008PW (AFS#13235)

**SUMMARY**

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The purpose of this report is to inform on the results of Request for Proposal (RFP) 9150-11-3066, and to obtain authority to negotiate and award a contract to Canada Fibers Ltd. to process up to 140,000 tonnes per year of Single Stream Recyclable Materials (SSRM) for a term of seven (7) years with the Acting General Manager, Solid Waste Management Services, provided sole discretion to extend the term for a period of up to two (2) years.

The RFP was conducted in compliance with City Purchasing Policies and a Fairness Consultant was engaged to monitor the RFP and their report attesting to the fairness and openness of the procurement process is provided as Attachment 1 to this report.

**RECOMMENDATIONS**

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

1. City Council authorize the Acting General Manager, Solid Waste Management Services, to negotiate and enter into an agreement with Canada Fibers Ltd. for processing services of up to 140,000 tonnes per year of SSRM for a period of seven

(7) years with an optional extension period, exercisable at the Acting General Manager, Solid Waste Management Services, sole discretion, of up to two (2) years, based on the terms and conditions contained in the RFP, as amended by the addenda, the Proposal submitted by Canada Fibers Ltd., and otherwise on terms and conditions satisfactory to the Acting General Manager, Solid Waste Management Services, and in a form satisfactory to the City Solicitor, at a cost not to exceed a total contract cost of \$181.957 million exclusive of HST; and

2. City Council direct that the authority for the Acting General Manager, Solid Waste Management Services, to negotiate as set out in Recommendation 1 above include the ability to negotiate a price reduction in exchange for the City providing haulage services for the disposal of material residue from processing the SSRM.

## **Financial Impact**

The total potential cost to the City of the contract award including all option years and before set-offs is \$185.159 million net of HST recoveries (\$181.957 million exclusive of HST).

Table 1 provides the annual net contract cost which is the difference between payments due to the Contractor for the work and set-off payments due to the City from the Contractor. The cost of the work is based on processing the full 140,000 tonnes of SSRM per year, the per-tonne unit prices for recovering all existing and new products and the maximum quantity of and unit prices for the provisional work. Payments due to the City, which will be set-off against the cost of the work, result from the sale of the fibre product to the Contractor and from residue disposal tipping fees.

The maximum total cost of the contract beginning in 2013 and over the seven (7) year term, after set-offs, is estimated to be \$61.879 million net of HST recoveries. The maximum total cost of the two (2) year optional extension, if required, is estimated to be \$21.020 million net of HST recoveries and after set-offs. The maximum total cost of the contract over the term and extension is estimated to be \$82.899 million net of HST recoveries, after set-offs.

Table 1: Estimated Total Annual Contract Cost (amounts in \$000s)

Year	Cost of Work <sup>1</sup>	Set-Offs		Total Annual Cost - net of Set-Offs
		Sale of Fibre Product <sup>2</sup>	Residue Disposal Tipping Fee <sup>3</sup>	
2013	\$18,982	(\$9,234)	(\$1,964)	\$7,784
2014	\$19,361	(\$9,234)	(\$2,003)	\$8,124
2015	\$19,749	(\$9,234)	(\$2,043)	\$8,472
2016	\$20,143	(\$9,234)	(\$2,084)	\$8,826
2017	\$20,546	(\$9,234)	(\$2,125)	\$9,187
2018	\$20,957	(\$9,234)	(\$2,168)	\$9,555
2019	\$21,376	(\$9,234)	(\$2,211)	\$9,931
<b>Total (2013-2019)</b>	<b>\$141,115</b>	<b>(\$64,639)</b>	<b>(\$14,597)</b>	<b>\$61,879</b>
2020	\$21,804	(\$9,234)	(\$2,255)	\$10,314
2021	\$22,240	(\$9,234)	(\$2,301)	\$10,705
<b>Total (2013-2021)</b>	<b>\$185,159</b>	<b>(\$83,107)</b>	<b>(\$19,153)</b>	<b>\$82,899</b>

Notes:

1. Cost of Work is based on processing 140,000 tonnes of SSRM per year, and includes recovery of all existing and new products and the full amount of provisional work. After 2013, costs are subject to an annual CPI adjustment, assumed to be 2%.
2. Estimate of the set-off from the sale of fibre product is based on current market price for fibre product (May 2011), the Contractor's fibre product premium and current SSRM composition.
3. Estimate of the set-off from residue disposal tipping fees is based on a residue disposal fee of \$75.00 per tonne in 2013 and current SSRM composition. After 2013 the disposal fees is subject to an annual CPI adjustment, assumed to be 2%.

The cost of work presented in Table 1 includes the recovery of all new products and the full amount of provisional work. New products are materials that are not currently part of the City's recycling program but the City may want to add during the term of the agreement. At the sole discretion of the Acting General Manager, Solid Waste Management Services, the Contractor may be required to recover one or multiple new products upon one hundred and twenty (120) days notice. As part of the RFP, the preferred Proponent provided a per-tonne incremental processing fee for each of the new products in its proposal. The cost of work was calculated assuming the addition of all of the new products at the commencement of the contract in 2013. The provisional work includes additional SSRM inbound composition audits, product quality audits, performance tests and extended receiving hours. The preferred Proponent provided unit prices for each of the provision work items in its proposal and the cost of work was calculated assuming full amount of the provisional work items.

The actual value of the future payments due to the City from the sale of the fibre product to the Contractor may differ from the estimates provided in Table 1. The estimates in Table 1 are based on the current proportion of fibre product in the SSRM

and current market prices for fibre product. In the future, changes in the proportion of fibre product in the SSRM, or changes in the market value of the fibre product, may cause the actual value of the payments to vary from estimates.

Similarly, the actual future value of the payments due to the City from the disposal of residue from processing the SSRM may differ from the estimates provided in Table 1. The estimates in Table 1 are based on the current composition of the SSRM. In the future, the quantity of residue to be disposed may change due to changes in the composition of the SSRM or other factors.

On a comparative basis, for a maximum capacity of 140,000 tonnes, the contracted cost per tonne is estimated to increase by \$2.22 with the award of this contract which equates to an additional maximum potential cost of approximately \$0.310 million per year. It is anticipated that this incremental pressure will be offset by additional product sales revenues which will result from the increased product recovery that the Contractor will have to satisfy under the contract.

The total annual contract cost will be requested in the annual Solid Waste Management Services Operating Budget submissions for 2013 and subsequent years. A new Cost Centre will be created at that time utilizing Cost Element 4403 (Contracted Services - M & E).

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

## **ISSUE BACKGROUND**

The City collects approximately 210,000 tonnes of SSRM per year which is currently processed under contracts with Canada Fibers Ltd (CFL) and Metro Municipal Recycling Services Inc. In 2010, CFL processed approximately 100,000 tonnes of SSRM at the City-owned Dufferin Material Recovery Facility and Metro Municipal Recycling Services Inc. processed approximately 110,000 tonnes at its privately-owned material recovery facility.

The contract recommended for award will replace the SSRM processing services contract currently being provided by Metro Municipal Recycling Services Inc. which is in its first extension year and which cannot be extended beyond August 12, 2012.

## **COMMENTS**

Request for Proposal (RFP) 9150-11-3066 for Single Stream Recyclable Materials (SSRM) Processing Contract was issued by PMMD on March 11, 2011 and made available for download on the City's Internet website.

A voluntary information session was held for prospective proponents at the North York Civic Centre on March 31, 2011 to address any questions and/or concerns relating to

the requirements in the RFP. As a result, an addendum was issued to address all questions raised at the information session.

Twenty-five (25) firms downloaded the document from the PMMD website. Proponents were required to submit a Technical Proposal and a Cost of Service Submission in two (2) separate envelopes prior to the closing date and time. Proposals from the following four (4) Proponents were received prior to the closing deadline:

- Matrec Inc. (Matrec);
- Courtice Industries Inc. (Courtice);
- Canada Fibers Ltd. (CFL); and
- Metro Municipal Recycling Services Inc. (MMRS).

In addition to the four (4) Proposals that were received prior to the closing deadline, Halton Recycling Ltd dba Emterra Environmental ("Emterra") submitted its Cost of Services Submission before the closing deadline but submitted its Technical Proposal after the closing deadline. Since Emterra's Technical Proposal was received late, as a consequence, Emterra's entire Proposal was rejected.

A five (5) stage process used to evaluate the Proposals received by the closing deadline were as follows:

Stage 1: Assessment of mandatory requirements. A Proposal that fails to satisfy ALL of the mandatory requirements will be rejected and will not proceed to Stage 2.

Stage 2: Technical evaluation and determination of a technical score and additional points, if any. The technical proposal must score a minimum of 27 points out of the 45 points available for the Cost of Services Proposal to be evaluated. Technical proposals that do not achieve or exceed the minimum technical score of 27 points will not proceed to Stage 3. Assessment of value added work and cost saving measures proposed by the Proponent for up to 5 additional points.

Stage 3: Evaluation of the costs of services envelopes and determination of a price score for each proposal.

Stage 4: Determination of a total score for each Proposal.

Stage 5: Ranking Total Scores.

PMMD undertook a review of each Proponent's submission to determine if the Proposals met the mandatory requirements (Step 1). At the end of this process, PMMD concluded that all four (4) Proposals met the mandatory requirements and therefore the four (4) Proposals proceeded to the technical evaluation (Step 2).

An Evaluation Team was established to evaluate the technical proposals. The Evaluation Team review of the technical proposals was observed by PMMD and the Fairness Consultant.

The Proposal submitted by MMRS stated a number of exceptions to the requirements of the Work as set out in the RFP, as amended by the five (5) issued Addenda. The Selection Committee concluded that the exceptions stated in MMRS' technical proposal significantly deviate from fundamental requirements of the Work as set out in the RFP, as amended by the five (5) issued Addenda. Therefore, the MMRS Proposal was declared non-compliant pursuant to Section 9.3.2 of the RFP which indicates to all Proponents that "Exceptions that significantly deviate from delivering the requirements of the Work described in this RFP may lead to the rejection of the Proposal."

The technical proposals from the remaining three (3) Proponents, CFL, Courtice and Matrec, were evaluated by the Selection Committee.

The technical score for Courtice's technical proposal was less than the minimum score of 27 points. Therefore, the cost of services submission from Courtice was not evaluated.

The technical scores for both the CFL and Matrec Proposals exceeded the minimum 27 points required. Therefore, the cost of service submissions from CFL and Matrec were evaluated.

A total annual cost was calculated for both CFL and Matrec based on the prices submitted in each of its cost of services submission. A price score was determined for each Proponent based on its total annual cost.

The Fairness Consultant reviewed and verified the cost of services submissions and the calculations of the total annual costs and price scores.

The technical score, additional points and the cost score for each Proponent were added together to calculate the total score. CFL achieved the highest total score and also had the highest price score, i.e., was the lowest cost Proposal. Therefore, staff recommends that the Acting General Manager, Solid Waste Management Services, be authorized to negotiate and enter into an agreement with Canada Fibers Ltd., being the preferred proponent, for the processing services of up to 140,000 tonnes per year of Single Stream Recyclable Materials for a for a term of seven (7) years with the Acting General Manager, Solid Waste Management Services, sole discretion to add an extension period of up to two (2) years.

The RFP invited Proponents to suggest cost savings measures in its Proposals. CFL's Proposal included a cost saving measure whereby the City would provide haulage services for the disposal of residue from SSRM processing in exchange for a reduced per tonne cost to process the SSRM. This cost saving measure may offer benefit to the City and staff recommend that the Acting General Manager, Solid Waste Management

Services, be authorized to negotiate a cost reduction in exchange for residue haulage services.

Proponents' scores by criteria, price comparison and a staff analysis of the evaluation results can be provided in an in-camera presentation if requested by Committee Members.

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

#### Other related Revenues

The total annual contract costs presented in Table 1 do not include the revenue that will be generated through the sale of the non-fibre container products or the new products. The non-fibre container products, e.g., aluminum cans, steel cans, PET bottles, etc., which are recovered by the Contractor from the SSRM are separately marketed and sold by the City with the revenue accruing directly to the City. In 2010, the revenue from the sale of the non-fibre container products recovered from all of the City's 210,000 tonnes of SSRM was \$6.27M.

#### Fairness Consultant

The firm of P1 Consultants Inc. was retained through a competitive bidding process to act as Fairness Consultants for the RFP. The Fairness Consultant's scope of work includes the following:

- addressing any concerns relating to accountability/fairness (monitoring the level of openness, transparency and competitiveness of the procurement process);
- independent assurance of integrity of the procurement process with a signed attest statement for the RFP;
- preparing a Final Attest Report for the City that may be provided to City Council as part of any required staff report to City Council on a particular procurement;
- presenting report findings to City Council members, if required; and,
- providing evidence and testifying in relation to any legal claim that may arise from the procurement process, if required.

The Fairness Consultant concluded that the RFP process satisfied the principles of openness, fairness, consistency and transparency. The Attestation Report from the Fairness Consultant on the RFP Evaluation Process is included as Attachment 1.

## **CONTACT**

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## **SIGNATURE**

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Vincent Sferrazza  
Acting General Manager  
Solid Waste Management Services

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Lou Pagano,  
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Management Division

## **ATTACHMENTS**

Attachment 1 – Attestation Report from P1 Consultants