
Date: April 30, 2014
To: Public Works and Infrastructure Committee
From: General Manager, Solid Waste Management Services
Acting Director, Purchasing and Materials Management Division
Wards: All
Reference Number: P:\2014\Cluster B\SWM\May\008PW (AFS#18750)

SUMMARY

The purpose of this report is to provide the results of the Request for Proposal (RFP) No. 9150-14-3007 and to obtain authority to negotiate and award a contract to the selected proponent, Canada Fibers Ltd., to process up to 120,000 tonnes per year of Single Stream Recyclable Materials (SSRM) for a term of seven (7) years, together with the Solid Waste Management Services (SWMS) General Manager’s sole discretion to extend the term for two, one (1) year extensions.

The RFP complied with the policies of the Purchasing and Materials Management Division. As indicated in its report, Attachment 1, a Fairness Monitor was engaged to monitor the RFP and attest to the fairness and openness of the procurement process. Canada Fibres Ltd. had the lowest cost of services and the highest overall score; as a result, SWMS staff recommends that this proponent be awarded the SSRM Processing Contract.

RECOMMENDATIONS

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

1. City Council, in accordance with Section 195-15 of Toronto Municipal Code Chapter 195 (Purchasing By-Law), grant the General Manager, Solid Waste Management Services, to negotiate and enter into an agreement with Canada Fibers Ltd. for processing services of up to 120,000 tonnes per year of SSRM, commencing on
November 15, 2014 for seven (7) years with optional extensions, exercisable at the General Manager’s sole discretion, for up to two, one (1) year extension periods, based on the terms and conditions contained in the RFP, as amended by the addenda and the Proposal submitted by Canada Fibres Ltd., and, any other terms and conditions satisfactory to the General Manager, and in a form satisfactory to the City Solicitor, at a total cost not to exceed $167.514 million net of HST recoveries ($164.617 million exclusive of HST).

Financial Impact

The total potential cost to the City of the contract award, including all option years and before set-offs (defined in Table below), is $167.514 million net of HST recoveries ($164.617 million exclusive of HST).

Table 1 provides the annual net contract cost which is the difference between payments due to the vendor for the services and set-off payments due to the City from the vendor. The cost of the services is based on processing the full 120,000 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 services. Payments due to the City which will be set-off against the cost of the services result from the sale of the fibre product to the vendor and from residue disposal tipping fees.

The maximum total cost of the contract beginning in 2014 and over the seven (7) year term, after set-offs, is estimated to be $74.390 million net of HST recoveries. The maximum total cost of the two, one (1) year optional extensions, if required, is estimated to be $24.301 million net of HST recoveries and after set-offs. The maximum total cost of the contract over the term and extensions is estimated to be $98.691 million net of HST recoveries, after set-offs.

<table>
<thead>
<tr>
<th>Operating Year</th>
<th>Cost of Services</th>
<th>Sale of Fibre Product</th>
<th>Residue Disposal Tipping Fee</th>
<th>Total Annual Cost - net of Set-Offs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$17,173</td>
<td>($5,856)</td>
<td>($1,652)</td>
<td>$9,664</td>
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<tr>
<td>2</td>
<td>$17,516</td>
<td>($5,856)</td>
<td>($1,685)</td>
<td>$9,975</td>
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<td>$17,867</td>
<td>($5,856)</td>
<td>($1,719)</td>
<td>$10,291</td>
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<tr>
<td>4</td>
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<td>($5,856)</td>
<td>($1,754)</td>
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<td>$18,588</td>
<td>($5,856)</td>
<td>($1,789)</td>
<td>$10,944</td>
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<tr>
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<td>($5,856)</td>
<td>($1,824)</td>
<td>$11,280</td>
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<tr>
<td>7</td>
<td>$19,339</td>
<td>($5,856)</td>
<td>($1,861)</td>
<td>$11,622</td>
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<td>Total 7 Years</td>
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<td>($40,993)</td>
<td>($12,284)</td>
<td>$74,390</td>
</tr>
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<td>Option Yr 1</td>
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<td>($5,856)</td>
<td>($1,898)</td>
<td>$11,972</td>
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<tr>
<td>Option Yr 2</td>
<td>$20,121</td>
<td>($5,856)</td>
<td>($1,936)</td>
<td>$12,329</td>
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<tr>
<td>Total with Option Years</td>
<td>$167,514</td>
<td>($52,705)</td>
<td>($16,119)</td>
<td>$98,691</td>
</tr>
</tbody>
</table>
Notes:
1. Cost of Services is based on processing 120,000 tonnes of SSRM per year, and includes recovery of all existing and new products and the full amount of provisional services. After 2014, 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 (March 2014), March 2014 US to Canadian exchange rate, the vendor’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 $76.50 per tonne in 2014 and current SSRM composition. After 2014 the disposal fees is subject to an annual CPI adjustment, assumed to be 2%.

The award of this contract will result in a 2014 Gross Operating Budget pressure of approximately $494,000. This incremental estimate is based on expected tonnage to be processed at the new price per tonne for the period November 15 to December 31, 2014. It is anticipated that this amount will be generally offset by additional product sales revenues that will result from the increased product recovery rates, and should have no negative impact on the 2014 Operating Budget.

The total annual contract cost will be requested in the annual Solid Waste Management Services Operating Budget submissions for 2015 and subsequent years under SW0751-4403.

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. The contract recommended for award will replace the current SSRM processing services contract with CFL at the City-owned Dufferin Material Recovery Facility. In its last extension year, this current contract cannot be extended beyond December 19, 2014. In 2013, this facility processed approximately 87,000 tonnes of the annual SSRM received by the City. The remainder of the SSRM in 2013 was processed by other SWMS SSRM processing contracts.

The City has requested SSRM processing services for up to 120,000 tonnes per year with 70,000 guaranteed tonnes. This processing capacity will allow the City to handle tonnage increases in the SSRM resulting from the addition of new products, increased resident participation and population growth over the term of the contract.

COMMENTS

Request for Proposal (RFP) 9150-14-3007 for Single Stream Recyclable Materials (SSRM) Processing Contract was issued by the Purchasing and Materials Management Division (PMMMD) on February 5, 2014 and made available for download on the City’s Internet website. The closing date for submissions was March 14, 2014. A total of eleven (11)
firms downloaded the document from the PMMD website or purchased a hard copy of the RFP document.

As part of the RFP, proponents were required to attend the mandatory information meeting which was held at the Scarborough Civic Centre on February 19, 2014. This provided PMMD the opportunity to review the RFP process and the potential proponents were given the opportunity to ask any questions regarding the scope of the work and ascertain the full extent of the work required. A total of eight (8) firms attended the mandatory information meeting.

Proposals from the following three (3) proponents were received prior to the closing deadline as follows:

1. Cascades Recovery Inc.;
2. Halton Recycling Ltd. Dba. Emterra Environmental; and
3. Canada Fibers Ltd. (CFL)

Proponents were required to submit a Technical Proposal and a Cost of Service Submission in two (2) separate envelopes.

A five stage process was used to evaluate the proposals received as follows:

Stage 1: Opening the Technical Proposal and assessing compliance with the specific mandatory requirements of the RFP as stated in Section 9.3.1. A Proposal that failed to satisfy any of the mandatory requirements was rejected and did not proceed to Stage 2.

Stage 2: Technical evaluation of the remaining Technical Proposals and determination of a Technical Score for each Proposal. The Technical Score was determined by evaluating the Technical Proposal, and additional information originating from interviews, site visits and references as applicable, against the evaluation criteria described in this section. The Technical Proposal had to score a minimum of 60% (45 points) of the 75 points available for the Cost of Services Proposal to be opened and evaluated. Technical Proposals that did not achieve or exceed the minimum Technical Score of 60% (45 points) of 75 points did not proceed to Stage 3.

Stage 3: Opening the Costs of Services Envelopes for the remaining Proposals and Determining a Price Score for each Proposal.

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

Stage 5: Ranking Total Scores.

PMMDD undertook a review of each proponent’s submission to determine if the proposal met the mandatory requirements (Stage 1). At the end of this process, PMMDD concluded
that all three (3) proposals met the mandatory requirements. Therefore, the three (3) Proposals proceeded to the technical evaluation (Stage 2).

A Selection Committee was established to evaluate the technical proposals. The Selection Committee’s evaluation of the technical proposals was observed by PMMD and the Fairness Monitor.

The technical proposals from the three (3) proponents: Cascades Recovery Inc., Halton Recycling Ltd. Dba. Emterra Environmental, and Canada Fibers Ltd., were evaluated by the Selection Committee.

The technical scores for all three (3) proponents were more than the minimum 45 points required. Therefore, as Stage 3 of the process, the costs of services submissions from each of the three (3) proponents were evaluated.

A total annual cost was calculated for each of the three (3) proponents based on the prices submitted in their cost of services submissions. A price score was determined for each proponent based on their total annual cost.

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

The technical score and the cost of services score for each proponent were added together to calculate the total score.

Canada Fibers Ltd. achieved the highest total score and also had the highest price score, (i.e. was the lowest cost proposal). Therefore, staff recommends that the 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 120,000 tonnes per year of Single Stream Recyclable Materials for a term of seven (7) years with the option to add up to two, one (1) year extension periods at the sole discretion of the General Manager, Solid Waste Management Services.

The Manager of the Fair Wage Office has reported that Canada Fibers Ltd. has indicated that it has reviewed and does understand the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

If requested, SWMS staff can provide an in-camera presentation of the proponents’ scores by criteria and by price comparison, as well as a staff analysis of the evaluation results.
The firm of PPI Consultants Inc. was retained from PMMD’s roster to act as a Fairness Monitor for the RFP. The Fairness Monitor’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 Attestation Report for the City that may be provided to Council as part of any required staff report to Council on a particular procurement;
- preparing a Final Attestation Report for the City that may be provided to Council as part of any required staff report to 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 Monitor concluded that the RFP process satisfied the principles of openness, fairness, consistency and transparency. The Attestation Report from the Fairness Monitor on the RFP Evaluation Process is included as Attachment 1.

**CONTACT**

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**SIGNATURE**

__________________________________________  ______________________________
Jim Harnum, CET, MBA                          Victor Tryl, P.Eng.
General Manager                               Acting Director
Solid Waste Management Services               Purchasing & Materials Management Division

**ATTACHMENT**

Attachment 1 - Attestation Report from PPI Consultants Inc.