Future Curbside Waste Collection Service Delivery East of Yonge Street

January 18, 2017

Public Works and Infrastructure Committee

Item PW 18.3
Future Curbside Waste Collection Service Delivery East of Yonge Street

• Original Report included the following statements:
  
  – There have been productivity improvements for in-house collection following the decision to contract out District 2. Provided that these gains are sustained and improved, the best value and lowest risk to the City of Toronto at this time is to continue with the current model. A blend of in-house and private sector service provision also manages operational and financial risk and provides flexibility for the curbside waste collection system to adapt to changes.

  – Remaining with the current collection cost model for an additional two years represents the best course of action at this time based on the analysis that was undertaken.
Supplemental Report Rationale

• Since September 2015, circumstances have changed, resulting in the need for an update to the original Staff Report, including:
  – additional detailed analysis completed as part of the 2017 budget process;
  – additional fleet analysis completed in 2016;
  – implications from the 2016 ratified collective agreement with TCEU, LOCAL 416 - CUPE;
  – 2015 collection metrics data now available;
  – information related to a new contract for waste collection services in District 1 (Etobicoke area) which began July 1, 2015; and,
  – staffing and financial related challenges as a result of the lack of clarity on future waste collection service provision direction.
**Current Arrangement Overview**

* Yonge St. is the dividing line between District 2 and District 3.

<table>
<thead>
<tr>
<th>Service Provider</th>
<th>District</th>
<th>Stops (2015)</th>
<th>Special Features</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contracted</strong></td>
<td>District 1</td>
<td>66,097</td>
<td>• Suburban, medium density and industrial areas developed after WW2</td>
</tr>
<tr>
<td></td>
<td>District 2</td>
<td>155,594</td>
<td>• Urban, congested streets, on-street parking, south of Eglinton Avenue</td>
</tr>
<tr>
<td></td>
<td>District 3</td>
<td>116,271</td>
<td>• Urban, congested streets, on-street parking, south of Eglinton Avenue</td>
</tr>
<tr>
<td></td>
<td>District 4</td>
<td>121,207</td>
<td>• Suburban, medium density and industrial areas developed after WW2</td>
</tr>
<tr>
<td></td>
<td>Toxic Taxi</td>
<td>490,970</td>
<td>• Service for all Districts provided by District 3</td>
</tr>
<tr>
<td></td>
<td>Nights</td>
<td>31,801</td>
<td>• Commercial collections for all Districts, RUAC (Residential Units Above Commercial), and other customers types</td>
</tr>
</tbody>
</table>
Current Situation Analysis

• Waste Diversion Rates by District  
  – Minimal difference between districts attributable to Service Providers.

• Customer Service Performance  
  – Minimal difference between districts attributable to Service Providers.

• Fleet Overview  
  – Current state of fleet offsetting any in-house efficiencies realized.

• Staffing and Labour Relations Overview  
  – See Confidential Attachment #2

• Financial Performance  
  – See Confidential Attachment #3
## Objectives

<table>
<thead>
<tr>
<th>Provide</th>
<th>Safe</th>
<th>Cost Effective</th>
<th>Efficient</th>
<th>Socially Acceptable</th>
<th>Environmentally Responsible</th>
<th>Customer Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No Difference</td>
<td>- Mandatory compliance with regulation and strict adherence to City Health and Safety requirements would be required regardless of service delivery option</td>
<td>Potential Difference</td>
<td>- Can only be determined by “Going to Market” in a competitive process.</td>
<td>Potential Difference</td>
<td>- Can only be determined by “Going to Market” in a competitive process.</td>
</tr>
</tbody>
</table>
3 Different Options to Address Objectives

<table>
<thead>
<tr>
<th>Potential Options</th>
<th>Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keep Collections &quot;In-House&quot;</td>
<td>• Essentially the “Do Nothing” alternative.</td>
</tr>
<tr>
<td></td>
<td>• Service delivery continues “as-is” with exploration of options for continuous improvement.</td>
</tr>
<tr>
<td></td>
<td>• Limited opportunity to ensure competitive nature of “In-House” services.</td>
</tr>
<tr>
<td>&quot;Contract Out“ Collections</td>
<td>• Move directly to procurement of collection services.</td>
</tr>
<tr>
<td></td>
<td>• Develop Staff and Fleet transition plans.</td>
</tr>
<tr>
<td>“Managed Competition” Approach with Internal Bid Submission (RECOMMENDED)</td>
<td>• See Next Slide and Figure.</td>
</tr>
</tbody>
</table>
Precedent in Industry for Managed Competition Approach

• There are a number of municipalities that currently rely on a mixed service delivery model that utilize managed competition approaches, including:
  - City of Ottawa
  - City of Calgary
  - City of Edmonton
  - City of Hamilton

• Provides the direct opportunity for an ‘apples-to-apples’ comparison in a competitive environment.

• Provides the “in-house” service team an opportunity to demonstrate their ability to provide cost effective and competitive service delivery in a fair and open process.

• Evidence suggests this type of process drives additional cost savings regardless of outcome.
Overview of Managed Competition Approach

<table>
<thead>
<tr>
<th>Phase</th>
<th>Primary Function</th>
<th>Secondary Function</th>
<th>Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1</td>
<td>All relevant Divisions/Units develop a plan that will determine the level of effort required to conduct a managed competition process.</td>
<td>A Fairness Monitor is retained to manage various steps in the process.</td>
<td>Ethical-wall Established (In-house Bid Team and Evaluation Team)</td>
</tr>
<tr>
<td>Phase 2</td>
<td>Relevant Purchasing and Divisional Staff develop procurement documents for posting. This document must define the different requirements for in-house and external bids.</td>
<td>A Consultant is hired to assist the internal bid-team in their bid submission.</td>
<td>Proponents (including Union) Notified of Managed Competition Intent</td>
</tr>
<tr>
<td>Phase 3</td>
<td>An internal bid-team is established and they are given guidance from the External Consultant to ensure they understand the requirements of submitting a proposal.</td>
<td>The Fairness Monitor oversees the evaluation of all bids.</td>
<td>All Bids Received</td>
</tr>
<tr>
<td>Phase 4</td>
<td>All bids are received and evaluated by the Evaluation Team. The Evaluation Team should consist of relevant internal staff as well as the Fairness Monitor.</td>
<td></td>
<td>Proponents (including Union) notified if internal proposal unsuccessful.</td>
</tr>
<tr>
<td>Phase 5</td>
<td>A recommendation regarding the successful proponent is made to Council. Also, the transition, if any, to the successful proponent is made.</td>
<td></td>
<td>Recommendation is made to Committee &amp; Council</td>
</tr>
<tr>
<td>Phase 6</td>
<td>Ongoing Service Delivery Efficiency is monitored to ensure the performance of the successful bidder is aligned with what was bid (this is true for both in-house and external contractors).</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Internal Bid Team

• Led by City Team in collaboration with Union Representatives.

• City will fund (as required) external consulting expertise to support in preparation of proposal.

• ‘Ethical Wall’ will be established to prevent potential Conflict of Interest issues.

• Union representatives will be provided all relevant waste collection financial information to ensure informed participation.
# Recommended Procurement Approach

<table>
<thead>
<tr>
<th>Component</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fairness Monitor</strong></td>
<td>Entire Procurement Duration</td>
</tr>
<tr>
<td>- Fairness Monitor will oversee all aspects of procurement.</td>
<td></td>
</tr>
<tr>
<td><strong>Part 1 – Request for Prequalification</strong></td>
<td>Feb. 2017 – May 2017</td>
</tr>
<tr>
<td>- Helps to limit the risk to the City and ensure that all potential bidders have the previously demonstrated ability to meet the contract requirements.</td>
<td></td>
</tr>
<tr>
<td>- Primarily a financial evaluation of the prequalified vendors.</td>
<td></td>
</tr>
<tr>
<td><strong>Part 3 – Award Recommendation</strong></td>
<td>Nov. 2017 – Dec. 2017</td>
</tr>
<tr>
<td>- Award Recommendation will be presented to Committee and Council for consideration.</td>
<td></td>
</tr>
</tbody>
</table>
Waste Collection Service Delivery Strategy

Project Initiation
- Step 1 – Develop Framework
- Step 2 – Select Procurement Method
  - Hire Fairness Consultant

Bid Evaluation
- Step 3 – Internal Bid-Team Established
- Step 4 – Bids Reviewed

Private Sector Submissions

“Internal” Submission

Private Sector Award

Contract Award

“Internal” Award

Continue Current Operations
- Continue current operations under defined contract term
- Continue to find efficiencies
- Finalize plans re: Ellesmere Yard
- Replace fleet as appropriate

Develop Transition Plan to Private Sector
- Redeploy staff from D4 to D3 (where possible)
- Redeploy vehicles from D4 to D3 (where possible)
- Surplus remaining and displaced vehicles from D3 & D4
- Restructure Division Management level to administer contracts.

Ongoing Performance Monitoring
1) City Council authorize the General Manager, SWMS, and the Director of Purchasing and Materials Management Division, to undertake a procurement process for residential curbside collection services for District 4 only, including the authority to consider an in-house bid submission from internal City employees in the SWMS Division as part of a managed competition process, in accordance with the process set out in this report, including but not limited to the requirements as summarized in Attachment 1.

2) That the General Manager, SWMS, and the Director of Purchasing and Materials Management Division report to Council on the results of the process for authorization to award a contract for a term of six (6) years; with options to extend for an additional two (2) separate one (1) year extensions at the sole discretion of the General Manager, SWMS.

3) City Council further authorize the retention of:
   a. external consulting support on an as required basis to support the Internal Bid Team in the development of their internal bid submission; and,
   b. a Fairness Monitor to oversee the Procurement process, in consultation with the Director of Purchasing and Materials Management Division.
4) City Council authorize the General Manager, SWMS to consult with TCEU, LOCAL 416 - CUPE representatives and invite their participation in the recommended managed competition process, in accordance with the process set out in this report, including but not limited to the requirements as summarized in Attachment 1, to be confirmed by TCEU, LOCAL 416 - CUPE, within 30 days of the Council Decision approving the managed competition process.

5) If TCEU, LOCAL 416 - CUPE declines to participate in the managed competition process, City Council authorize the General Manager, SWMS to issue formal notification of contracting out to the Union in accordance with the provisions of the Collective Agreement between the City and TCEU, LOCAL 416 - CUPE.
6) City Council direct the General Manager, SWMS, to:
   a) delay, in consultation with the Director of Purchasing and Materials Management
      Division, any procurement activities with respect to residential waste collection in
      District 3 until the results of the District 4 Procurement are determined and an
      appropriate procurement timeline for District 3, taking into consideration staffing and
      fleet related implications, is prepared and approved by Council; and,
   b) prepare, in consultation with the General Manager, Fleet Services a fleet replacement
      plan in District 3 and delay the purchase of any waste collection vehicles associated
      with service delivery in District 4 until the results of the recommended Procurement
      process are known.

7) That the information in Confidential Attachment 2 remain confidential in its entirety as it
    relates to the security of the property of the City and labour relations matters and that the
    information in Confidential Attachment 3 remain confidential in its entirety as it relates to
    security of the property of the City.
Next Steps

• Contact TCEU, LOCAL 416 - CUPE to discuss the managed competition process.
  – If TCEU, LOCAL 416 - CUPE *agrees* to participate, begin process to develop, issue, and evaluate a procurement for curbside waste collection services in District 4.
  – If TCEU, LOCAL 416 - CUPE *disagrees* to participate, begin process to develop, issue, and evaluate a procurement for curbside waste collection services in District 4 and notify TCEU, LOCAL 416 - CUPE of the intent to Contract out.

• Operations in District 3 will continue as per the current operation and the vehicle replacement plan will be implemented for District 3 only.