



REPORT FOR ACTION

Amendment to Contract No. 47020532 and 47020352 for the Provision of Professional Services for Biosolids Haulage and Beneficial Use

Date: September 24, 2019

To: Infrastructure and Environment Committee

From: General Manager, Toronto Water, and Chief Purchasing Officer, Purchasing and Materials Management Division

Wards: All

SUMMARY

The purpose of this report is to request authority to amend Contract No. 47020532 and 47020352 issued to Lystek International Inc. (Lystek) and Third High Farms Limited (Third High Farms), respectively, associated with the award of Request for Proposal (RFP) No. 9117-16-7164 for Biosolids Haulage and Beneficial Use Services. The values of the amendments are as follows:

- Increase Contract No. 47020532, issued to Lystek by \$728,000 net of all taxes and charges (\$740,813 net of HST recoveries), revising the current contract value from \$8,476,115 to \$9,204,115 net of taxes and charges (\$9,366,107 net of HST recoveries).
- Increase Contract No. 47020352, issued to Third High Farms by \$1,247,000 net of all taxes and charges (\$1,268,947 net of HST recoveries), revising the current contract value from \$11,119,607 to \$12,366,607 net of taxes and charges (\$12,584,259 net of HST recoveries).

These contracts, awarded to Lystek on February 8, 2017, and to Third High Farms on December 19, 2016, are two of the four total contracts awarded under this RFP. Each contract is for three (3) years with an option to renew for two (2) additional one (1) year periods.

An amendment in the amount of \$728,000 net of all taxes (\$740,813 net of HST recoveries) is required to Contract No. 47020532 and an amendment in the amount of \$1,247,000 net of all taxes (\$1,268,947 net of HST recoveries) is required to Contract No. 47020352. The increases are due to higher volumes of Ashbridges Bay Treatment Plant ("ABTP") biosolids managed by the two vendors which is fully offset by volumes of biosolids that could not be managed by the other two vendors. In addition, biosolids

from the Highland Creek Treatment Plant ("HCTP") that could not be processed due to on-site construction activities in 2017 and 2018 were hauled and processed by Lystek under its contract.

The City utilizes a Beneficial Use program in the management of the City's Biosolids at the ABTP, all in accordance with the Biosolids Master Plan Update approved by Council at its meeting on November 30, December 1, 2, 4 and 7, 2009.

RECOMMENDATIONS

The General Manager, Toronto Water and the Chief Purchasing Officer, Purchasing and Materials Management Division recommend that:

1. The Infrastructure and Environment Committee, in accordance with Section 71-11.1C of the City of Toronto Municipal Code (Financial Control By-law), grant authority to amend the following Contracts with Lystek International Inc. and Third High Farms Limited to provide additional professional services for Biosolids Haulage and Beneficial Use as follows:

- a. Increase Contract No. 47020532, issued to Lystek by \$728,000 net of all taxes and charges (\$740,813 net of HST recoveries), revising the current contract value from \$8,476,115 to \$9,204,115 net of taxes and charges (\$9,366,107 net of HST recoveries).
- b. Increase Contract No. 47020352, issued to Third High Farms by \$1,247,000 net of all taxes and charges (\$1,268,947 net of HST recoveries), revising the current contract value from \$11,119,607 to \$12,366,607 net of taxes and charges (\$12,584,259 net of HST recoveries).

FINANCIAL IMPACT

Amendment to Contract No. 47020532 with Lystek International Inc.

The amendment of Contract No. 47020532 issued to Lystek, for an additional amount of \$728,000 net of all taxes (740,813 net of HST recoveries), will increase the current Contract value from \$8,476,115 net of all taxes (\$8,625,295 net of HST recoveries) to \$9,204,115 net of all taxes (\$9,366,107 net of HST recoveries).

Funds were available and spent from the Approved 2017 and 2018 Operating Budgets for Toronto Water in account TW4036. This was offset by unspent funds from Contract No. 47020576 and 47020437 for Terratec Environmental Ltd. and Walker Environmental Group Inc. Funding details are provided in Table 1 below (all values are net of HST recoveries).

Table 1: Projected Cash Flow for Amendment to Contract No. 47020532 (Net of HST recoveries)

Year	Cost Centre TW4036 Wastewater Treatment Ashbridges Bay TP Solids
2018	\$740,813
Total	\$740,813

Amendment to Contract No. 47020352 with Third High Farms

The amendment of Contract No. 47020352, issued to Third High Farms for an additional amount of \$1,247,000 net of all taxes (\$1,268,947 net of HST recoveries), will increase the current Contract value from \$11,119,607 net of all taxes (\$11,315,312 net of HST recoveries) to \$12,366,607, (\$12,584,259 net of HST recoveries).

Funds were available and spent from the Approved 2017 and 2018 Operating Budgets for Toronto Water in account TW4036. This was offset by unspent funds from Contract No. 47020576 and 47020437 for Terratec Environmental Ltd. and Walker Environmental Group Inc. For the 2019 projected cash flow, funding is available in the Toronto Water 2019 Approved Operating Budget for Toronto Water in account TW4036. Funding details are provided in Table 2 below (all values are net of HST recoveries).

Table 2: Projected Cash Flow for Amendment to Contract No. 47020352 (Net of HST recoveries)

Year	Cost Centre TW4036 Wastewater Treatment Ashbridges Bay TP Solids
2017	\$233,005
2018	\$499,752
2019	\$536,190
Total	\$1,268,947

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

DECISION HISTORY

At its meeting on November 30, December 1, 2, 4 and 7, 2009, City Council approved and directed staff to implement the Biosolids Master Plan Update for each of the City's four wastewater treatment plants including a 100% beneficial use biosolids management strategy for the Ashbridges Bay Treatment Plant. The following is the link to City Council approval:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.PW28.5>

At its meeting on December 7, 2016, the Bid Committee granted authority to award RFP No. 9117-16-7164 in accordance with the Contract Details set out in the report (November 30, 2016) from the Director, Purchasing and Materials Management. The following is the link to the Bid Committee approval:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.BD113.4>

COMMENTS

The City utilizes a Beneficial Use program in the management of the Biosolids at the Ashbridges Bay Treatment Plant ("ABTP"), all in accordance with the Biosolids Master Plan Update approved by City Council at its meeting on November 30, December 1, 2, 4 and 7, 2009 (the "City's Biosolids Beneficial Use Program").

RFP 9117-16-7164 was issued in mid-2016 and awarded in November 2016 producing four (4) successful vendors who each were allocated the same total annual volume of biosolids to haul and manage: Terratec Environmental Ltd. ("Terratec") was awarded \$8,070,387 net of all taxes, Walker Environmental Group Inc. ("Walker") was awarded \$10,921,433 net of all taxes; Third High Farms Limited was awarded \$10,619,607 net of all taxes; and Lystek International Inc. was awarded \$7,976,115 net of all taxes.

In-year monthly allocation of biosolids to each of the four vendors varies and is based on several factors including unit prices, ABTP biosolids production volumes, and the respective available capacity of each vendor at any point in time. Over the first two (2) contract years, Lystek and Third High Farms had high available capacity and were therefore allocated higher total annual volumes. The other two vendors were at times not available and therefore received less total volumes. One of the vendors, Terratec Environmental Ltd. (now known as Terrapure Environmental), is highly affected by seasonality and weather conditions as their primary beneficial use outlet is agricultural land application which is not permitted during winter months. The other vendor, Walker Environmental Group Inc., processes the City biosolids at its facility in Thorold, Ontario which is shared with another biosolids generator. As such the facility is periodically unavailable to the City as it has limited capacity.

The total underspending on Contract No. 47020576 and 47020437 for Terratec and Walker over the first two contract years was approximately \$5,082,000 net of all taxes (\$5,171,000 net of HST recoveries). The underspending trend on these contracts is expected to continue for the third contract year as well as the two option years. The

incremental increase to the Third High Farms and Lystek contracts is therefore more than offset by the underspending on the Terratec and Walker contracts.

The following tables summarize the breakdown of the total value (net of all taxes) of Contract No. 47020532 and 47020352 for Lystek and Third High Farms:

Table 3: Breakdown of Total Value of Lystek Contract No. 47020532

Items	Original Funds	Additional Funds Required	Revised Total Incl. POA
Base Contract (3 years)	\$7,976,115	\$728,000	\$8,704,115
Provisional Allowance	\$500,000		\$500,000
Total (net of all taxes)	\$8,476,115.00	\$728,000	\$9,204,115
POA Amount Required		\$728,000	

Table 4: Breakdown of Total Value of Third High Farms Contract No. 47020352

Items	Original Funds	Additional Funds Required	Revised Total Incl. POA
Base Contract (3 years)	\$10,619,607	\$1,247,000	\$11,866,607
Provisional Allowance	\$500,000		\$500,000
Total (net of all taxes)	\$11,119,607.00	\$1,247,000	\$12,366,607
POA Amount Required		\$1,247,000	

Based on the factors listed above, staff recommend that the Contract No. 47020532 and 47020352 with Lystek and Third High Farms be amended in the amounts of \$728,000 and \$1,247,000 net of all taxes.

CONTACT

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SIGNATURE

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