

Amendment to Purchase Order 6049718 with Veolia Water Canada, Inc. for Critical Capital Improvements and Maintenance at the Disco Organics Processing Facility

Date: May 19, 2026

To: General Government Committee

From: General Manager, Solid Waste Management Services and Chief Procurement Officer

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report is about a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the City of Toronto (City).

SUMMARY

This report is seeking authority to amend Purchase Order 6049718 issued to Veolia Water Canada Inc. (Veolia). The Purchase Order was issued based on City Council approval of Item 2019.IE5.11, authorizing the General Manager, Solid Waste Management Services and/or designate to negotiate and enter into any agreements necessary to operate, maintain and undertake capital improvements to continue to process source separated organics at the Disco Road Organics Processing Facility (Disco OPF), commencing on July 1, 2019, for an approved term of up to 10 years.

The Disco OPF facility was commissioned in 2014. Through ongoing operations, engineering assessments, and capital work planning, several major capital improvement and maintenance requirements have been identified, some of which are critical to site operations and need to be addressed immediately. A portion of the major capital and maintenance work was anticipated to be delivered in conjunction with the Council-approved Disco OPF expansion. However, given the immediate need for critical infrastructure work, staff are also accelerating some of this planned work to take place at the same time as the critical work to ensure the facility is best positioned for expansion and to minimize overall downtime.

Aligning this work within one purchase order amendment will enable the timely completion of critical capital improvements and maintenance work ahead of the facility expansion. This work will extend the facility's useful life, maintain safety and performance standards, and ensure the facility continues to fulfill its intended functions. Delivering this work through the existing operator will minimize financial, operational and coordination risks on an active site, avoid delays, and supports continuity of service by maintaining a single point of accountability.

RECOMMENDATIONS

The General Manager, Solid Waste Management Services and Chief Procurement Officer recommend that:

1. City Council in accordance with Section 71-11.1C of the City of Toronto Municipal Code Chapter 71 (Financial Control By-Law), grant authority to General Manager Solid Waste Management Services to amend Purchase Order 6049718 issued to Veolia Water Canada Inc. (Veolia) to complete critical capital improvement and maintenance work based on the pricing information presented in the Confidential Attachment 1 to the report.
2. City Council approve an in-year budget adjustment to Solid Waste Management Services 2026 Capital Budget and 2027 to 2035 Capital Plan, as detailed in the Confidential Attachment 1 to this report.
3. City Council direct that the Confidential Attachment 1 to this report remain confidential in its entirety as it relates to a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the City, and direct that the Confidential Attachment 1 be made public at the discretion of the General Manager, Solid Waste Management Services, or their designate.

FINANCIAL IMPACT

Financial impacts resulting from Recommendation 1 are outlined in the Confidential Attachment 1.

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

DECISION HISTORY

At its meeting on April 17 and 18, 2024, City Council adopted Item IE12.2 entitled "Organics Processing Facilities Update" granting authority to the General Manager, Solid Waste Management Services and/or designate, to negotiate and enter into any new agreements, amendments of existing agreements or related documents – including on the basis of a non-competitive procurement under Municipal Code Chapter 195, Amendment to Purchase Order 6049718 with Veolia Water Canada, Inc.

Purchasing – necessary to operate, maintain and undertake capital improvements to continue to process organics at the Disco Road Organics Processing Facility, for a term up to an additional five (5) years, based on the pricing information presented in the Confidential Attachment 1 to the report, on terms and conditions satisfactory to the General Manager, Solid Waste Management Services and in a form satisfactory to the City Solicitor.

The City Council Decision document can be viewed at:
<https://secure.toronto.ca/council/agenda-item.do?item=2024.IE12.2>

At its meeting on November 24, 2021, the Bid Award Panel granted authority to award a contract to GHD Limited (GHD) for Professional Engineering and Consulting Services required for the Design, Build and Commissioning of a new Organics Processing Facility for a period of seven (7) years from the date of award.

The City Council Decision document can be viewed at:
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.BA165.1>

At its meeting on June 18 and 19, 2019, City Council adopted item IE.5.11 entitled “Disco Road Organics Processing Facility Future Operations and Maintenance Agreement Amendment” authorizing the General Manager, Solid Waste Management Services and/or designate to negotiate and enter into any agreements necessary to operate, maintain, or undertake capital improvements to continue to process source separated organics at the Disco Road Organics Processing Facility, for terms up to 10 years at the sole discretion of the General Manager, Solid Waste Management Services based in part on the pricing information for operational costs adopted by City Council on July 23, 24, 25, 26, 27 and 30, 2018, on terms satisfactory to the General Manager, Solid Waste Management Services and the Chief Financial Officer and Treasurer and each in a form satisfactory to the City Solicitor.

The City Council Decision document can be viewed at:
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IE.5.11>

At its meeting on July 23, 24, 25, 26, 27 and 30, 2018, City Council adopted item PW31.11 entitled "Green Bin Organic Waste Processing and Capacity in the Province of Ontario" renewing and extending the authority of the General Manager, Solid Waste Management Services and/or designate to negotiate and enter into any agreements necessary to operate, maintain, or undertake capital improvements to continue to process source separated organics at the Disco Road Organics Processing Facility, for terms up to June 30, 2024, with an option to renew for up to an additional five years until June 30, 2029, at the sole discretion of the General Manager, Solid Waste Management Services, based in part on the pricing information for operational costs presented in Confidential Attachment 1 to the report (June 25, 2018) from the General Manager, Solid Waste Management Services, on terms satisfactory to the General Manager, Solid Waste Management Services and the Interim Chief Financial Officer and each in a form satisfactory to the City Solicitor.

The City Council Decision document can be viewed at:

Amendment to Purchase Order 6049718 with Veolia Water Canada, Inc.

COMMENTS

Background

The City's Green Bin program diverts organic waste from landfill by collecting and processing organics from approximately 460,000 single-family homes, and about half of apartment and condominium units in the city, as well as small businesses, schools and City Divisions, Agencies and Corporations. The City owns and operates two anaerobic digestion facilities: the Disco OPF and the Dufferin Organics Processing Facility (Dufferin OPF), with a combined processing capacity of 130,000 tonnes per year (Disco OPF: 75,000 tonnes; Dufferin OPF: 55,000 tonnes).

The Disco OPF has been in operation since 2014 and is currently operated under contract by Veolia until June 30, 2029. Veolia's current operating contract provides for the implementation of capital works within a defined budget. Larger-scale capital improvements and maintenance activities were expected to be delivered separately through future City-led procurement processes. The major maintenance and capital improvements budget included in the contract is insufficient to cover the estimated costs required to accelerate the required critical capital improvements and maintenance outlined in this report.

At the time the operating contract was issued to Veolia, staff were still engaged with the analysis to determine if a new third organics processing facility would be the best option to manage all of the organics collected by the City. After the completion of various studies, it was determined that expanding the existing Disco OPF would be the most cost-effective way to increase the City's organics processing capacity. As per City Council approval at its meeting on April 17, 18, 2024, staff were directed to expand the Disco OPF, increasing its capacity from 75,000 tonnes to up to 140,000 tonnes per year. This expansion will enable the City to process all organics collected by the City, reducing reliance on third-party contractors and increasing the facility's renewable natural gas (RNG) production potential. Expansion work is estimated to start in 2027 and be completed in 2029.

It was originally envisioned that the work outlined in this report would be delivered in conjunction with the expansion of the Disco OPF. However, recent condition assessments and analysis have determined that activities need to be accelerated from their planned timeline, and that undertaking a full procurement process at this time would result in significant delays and increased operational and financial risks.

Executing targeted capital improvements now, ahead of the expansion work will ensure that the facility can operate reliably leading up to, during and following the expansion. Additionally, the work will maintain the operational safety and performance standards, extend the facility's useful life and ensure the facility continues to fulfil its intended functions.

Undertaking this work through the existing operator provides continuity of operations, reduces coordination and interface risks on an operational site, and avoids delays associated with a separate procurement process which could impact facility operations. It also minimizes the potential for disruption by maintaining a single point of accountability for both ongoing operations and capital and maintenance work at the facility. Executing this work under the current contract also allows the City to have more favourable cost control, as the contract defines a maximum allowable markup, whereas the marketplace would otherwise determine the markup for this work.

Required equipment replacement, capital improvements and maintenance

Since its commissioning in 2014, the Disco OPF has reliably processed approximately 75,000 tonnes of organic waste each year. However, as the facility ages, its ability to maintain consistent processing capacity is increasingly at risk. Aging equipment can lead to more frequent breakdowns, higher maintenance costs, and reduced operational efficiency, which could result in extended downtime, a greater risk of service disruptions, less renewable natural gas (RNG) production and challenges in meeting the City's long-term organics processing needs.

The facility's major maintenance budget requirements have increased due to the aging of key equipment and infrastructure and an increase in the frequency of unplanned repairs and component replacements. External factors, such as cost escalation beyond inflation have also increased the costs of sourcing equipment and labour. Based on studies completed and the challenges encountered on site, the following work has been identified and is planned to be completed within the requested budget.

Suspension Buffer Tank (SBT) Replacement

The SBT is an outdoor storage tank that receives organic pulp following pre-processing by the grit removal system. The SBT supports stable biogas production and allows biogas to be routed to the upgrading system for RNG production.

A leak was discovered in the SBT on July 25, 2025. Investigations confirmed that the tank was not repairable. The Owner's Engineer, GHD Limited (GHD), reviewed the findings and agreed that the SBT requires replacement. Various measures have been taken to mitigate the impact to operations without the tank, however, the facility cannot meet its designed processing capacity and RNG production. The estimated budget includes the demolition and disposal of the existing tank, which is no longer in service, and the construction of a new tank.

Anaerobic Digester (AD) Cleaning

Anaerobic digestion is a process in which organic material is broken down by microorganisms in the absence of oxygen. It produces biogas which can be upgraded into RNG and digester solids which are used to make nutrient rich compost. This process occurs in enclosed tanks known as anaerobic digesters. The digesters at the Disco OPF have been in operation for 12 years. Based on testing and analysis, the active volume of the tanks has decreased, indicating that cleaning is required. Regular

cleaning and rehabilitation of digesters is essential to maintain proper function. Cleaning will ensure reliable performance, increase organic material processing capacity, enhance biogas production, and improve RNG output. The estimated budget includes emptying the tanks, performing expected maintenance work, restarting the tanks and replacing the digester mixing system.

Residue Press Replacement

Residue is non-hazardous waste generated from organic material processing, consisting of film plastic, contaminant materials, water, and residual organic material. Presses are used to remove water from these residues, reducing the volume and cost of material sent to landfill.

The presses are approaching the end of their service life, with significant structural corrosion observed. Following on-site inspections, it was recommended that a phased replacement plan be implemented over the next two years. The estimated budget includes the removal of the existing presses, reception and offloading of the new presses, installation and connection of the new units, and the removal and disposal of the old presses.

The estimated cost to complete all required equipment replacement, capital improvements and major maintenance is provided in the Confidential Attachment 1.

This purchase order amendment is required to enable the above critical equipment replacement, capital improvements and maintenance necessary to sustain current operations, support upcoming plans for the facility expansion, extend the facility's useful life and maintain safety and performance standards.

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SIGNATURE

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ATTACHMENTS

Confidential Attachment 1