



# **Award of Contract 089-R-19 Residential and Multi-residential Waste Management Collection**

**Council  
August 25, 2020**



# AGENDA

1. Decision History
2. RFP Process
3. RFP Proposals
4. RFP Proposal Evaluation Process
5. Stage One – Mandatory Criteria
6. Stage Two – Technical Evaluation
7. Stage Three – Interview
8. Stage Four – Financial Evaluation
9. Overall Scoring Results
10. Negotiation
11. Blue Box Transition/New Fleet Configuration
12. Contract Enhancements
13. Contract Award Financial Impact
14. Operating Budget Financial Impact
15. Recent Municipal Collection Contract Awards
16. Conclusions
17. Recommendations



## 1. DECISION HISTORY

**2010 – 2018:** Council approved a negotiated 8-year collection contract with Miller Waste

**May 2018:** Council approved two 1-year contract extensions to November 30, 2020

**May 2019:** RFP process recommended by Staff / Staff directed to report back following the Regional Governance review

**June 2019:** Council approved additional extension to May 31, 2021

**December 2019:** Council approved RFP process for long-term waste management collection services.

**July 2020:** Council approved additional extension to August 31, 2021



## 2. RFP PROCESS

- Waste Management RFP Project Team created to oversee RFP process
- RFP for collection services:
  - 8 year term September 1, 2021 - August 31, 2029
  - Option to extend for two (2) additional one (1) year terms
- Scope of Work:
  - Blue Box recycling system transition
  - Co-collection
  - Transition recycling collection service termination costs
  - Current base-level services - residential homes, multi-residential buildings, depots, facilities, BIA's, schools
  - Service improvements
- Retained a Waste Management industry specialist
- Retained an external third party Fairness Monitor

**Contract improvements - enhanced customer service,  
Smart City technology, optimize collection efficiencies**



### 3. RFP PROPOSALS

RFP #089-R-19 was released June 4, 2020 with 8 bid takers  
Proposals were received from four proponents:

1. Ferrovial Services Canada Ltd.
2. GFL Environmental Inc. (Green for Life)
3. Halton Recycling Ltd. (dba Emterra Environmental)
4. Miller Waste Systems



## 4. RFP PROPOSAL EVALUATION PROCESS

To ensure all proponents had the necessary qualifications and experience to carry out the work, the City used a four-stage process:

- Stage One – Mandatory Criteria (pass/fail)
- Stage Two – Technical Evaluation
- Stage Three – Interview
- Stage Four – Financial Evaluation



## 5. STAGE ONE – MANDATORY CRITERIA

### Mandatory Evaluation Criteria:

- Level II (2) CVOR (Commercial Vehicle Operators Registration) Abstract from the Ministry of Transportation (i.e. safety record) reflecting a Safety Rating of “Satisfactory” or “Satisfactory Unaudited” or better
- Ministry of the Environment Conservation and Parks Certificate of Approval (for waste collection system)
- Agreement to Bond in the amount of \$5 Million Dollars (CDN)
- One active or completed waste collection contract for a municipality with a population >200,000 people within the last ten years

**Mandatory evaluation criteria addressed important issues such as driving/vehicle safety record, Provincial operating approvals, financials, and relevant experience.**



## 6. STAGE TWO – TECHNICAL EVALUATION

Achieve a minimum technical evaluation score of 49 out of 70 points (70%) or higher in to advance

### Team Evaluated:

- Company Profile, Understanding of Scope and Blue Box Transition Plan
- Customer Service and Service Delivery
- References and Past Performance
- Fleet & Facilities
- Staffing Plan and Labor Retention
- Contract Start-up, Contingency and Wind-down Plans
- Commitment to Community Sustainability
- Health & Safety and Training Programs
- Innovation and Use of Smart City Technologies
- Quality Assurance and Quality Control
- Financial Sustainability



## 7. STAGE THREE – INTERVIEW

Proponents that scored a minimum of 70% in Stage Two were invited to participate in an interview process:

- To verify the technical evaluation of the proponent's proposal
- Allow Team to revisit / revise technical evaluation scores as necessary, using the same evaluation criteria and weighting

Proponents had to achieve a minimum technical evaluation score of 52.5 out of 70 points (75%) to advance to Stage 4

### **The following proponents advanced to Stage 4**

Proponent	Technical Score (out of 70 points)
Miller Waste Systems	61.67
GFL Environmental Inc.	52.73



## 8. STAGE FOUR – FINANCIAL EVALUATION

- Financial proposals opened for GFL Environmental Inc. and Miller Waste Systems Inc.
- Financial Evaluation based on
  - Total Probable Cost of the proponent's proposal determined by the unit prices submitted and three different possible Blue Box Program transition scenarios
  - A financial model was developed to interpret the variables indicated above and produce a Total Probable Cost for evaluation
  - 30 points based on the Financial Evaluation formula outlined in the RFP document.
  - Proposal with the lowest Total Probable Cost received the maximum score of 30 points

Proponent	Financial Score (out of 30 points)
GFL Environmental Inc.	30.00
Miller Waste Systems	27.24



## 9. OVERALL SCORING RESULTS

- Overall scoring from Stages 1 – 4 were combined to determine the highest ranked proponent
- Miller Waste Systems was invited to negotiate and finalize a contract with the City
- Team found the Miller Waste System's proposal to be detailed, demonstrate a good understanding of the work, provided a comprehensive plan for meeting the collection needs of the City, outlined detailed transition methodologies, and provide an innovative GHG reduction pilot proposal

Proponent	Technical Score (70 Points)	Financial Score (30 Points)	Total Score (100 Points)	Total Probable Cost over 8 Years
Miller Waste Systems	61.67	27.24	89.41	\$104.1M
GFL Environmental Inc.	52.73	30.00	82.73	\$96.8M



## 10. NEGOTIATION

Process provided for negotiations to explore opportunities for improved pricing and performance terms with the highest ranked proponent

The parties identified and entered into negotiations in three (3) key areas:

- Co-collection configuration
- Multi-residential collection efficiencies
- Annual price adjustment (CPI)

**An analysis of the negotiated opportunities and alternative delivery models determined that the proposed financial and non-financial benefits offered to the City were cost neutral over the contract term and did not provide sufficient benefits for the associated risks**

**It is recommended that the City proceed  
based on the submitted RFP proposal**



## 11. BLUE BOX TRANSITION/NEW FLEET CONFIGURATION

- A unique aspect of this RFP is the Blue Box transition to Product Producers between 2023 and 2025 during the 8-year contract term
- Transition impacts recycling collection services and fleet utilization
- The Blue Box transition process provides the opportunity for municipalities to be compensated by Product Producers:
  - Product Producers taking over the Blue Box collection program
  - Product Producers providing a significant rebate to City (currently estimated by the City to be in the range of 70-80%) of all costs related to Blue Box collection

**Council has indicated a 2025 preferred transition date but reserved the option to amend the transition date if earlier transition would be financially beneficial for the City**



## 11. BLUE BOX TRANSITION/NEW FLEET CONFIGURATION

City outlined 3 potential transition scenarios:

### **Scenario #1: No Transition**

Process deferred or abandoned by Province

### **Scenario #2: City Responsibility**

City delivers Blue Box collection service for Product Producers at estimated 70-80% cost recovery

- Need to ensure collected recyclables meet strict standards related to contamination and are not over-compacted during the collection process to allow for efficient material sorting

### **Scenario #3: Producer Responsibility**

Product Producers deliver collection services

- City would need to be able to reduce fleet size to only collect garbage and Green Bin

**Project Team will be reporting back to Council with  
recommendations on transition timing and cost impacts  
once the regulations are finalized by the Province**



## 11. BLUE BOX TRANSITION/NEW FLEET CONFIGURATION (cont.)

- The RFP provided for any combination of co-collection arrangements
  - Recycling and Organics
  - Recycling and Garbage
  - Organics and Garbage
  - Separate collection of Blue Box
- Goal was to obtain transition costs that would allow the City to determine the best transition options to take advantage of blue box collection cost-savings as early as possible, and provide future cost certainty
- The current fleet configuration for the existing contract co-collects recycling and organics, and garbage is collected separately

**Miller Waste Systems proposed to co-collect organics with garbage and separately collect recycling**



## 11. BLUE BOX TRANSITION/NEW FLEET CONFIGURATION (cont.)

- From a transition management perspective, the new proposed co-collection arrangement has several advantages:
  - Increased asset flexibility as recycling collection vehicles have market value if no longer required
  - Higher anticipated cost recovery from Product Producers as a result of reduced contamination and compaction
  - Lower transport/loading costs if delivery location for recyclables changes due to transition
- Based on the co-collection arrangement and separate collection of recycling, it is financially advantageous for the City to transition as early as possible in 2023 to realize potential collection savings
- As details on the Blue Box transition process are unknown, the Project Team will be reporting back to Council this Fall with recommendations on transition timing and cost impacts once the regulations are finalized by the Province



## 11. BLUE BOX TRANSITION/NEW FLEET CONFIGURATION (cont.)

- New fleet features improved technology, enhanced GPS capabilities, lighter in weight and equipped with added safety features such as back-up cameras
- Miller Waste Systems will continue to design routes for maximum public safety and to avoid collection services during school drop-off and pick-up of students
- The newly proposed co-collection configuration will increase average number of weekly vehicle passes from 1.5 to 2:
  - Will result in an increase of annual GHG emissions from waste collection services
  - City Staff will work with Miller Waste Systems to reduce GHG emissions by evaluating green pilot, alternative fuels and route optimization opportunities



## 12. CONTRACT ENHANCEMENTS

Service Enhancement	Impact/Benefit
New Collection Vehicle Fleet	<ul style="list-style-type: none"><li>Increased fuel efficiency and reduced GHG emissions</li><li>Camera technology</li><li>GPS-connected button system (allows for driver to digitally track collection events)</li></ul>
Cart Tippers for Larger Green Bins	<ul style="list-style-type: none"><li>City can begin to provide a larger Green Bin for residents generating high amounts of organic waste</li><li>Bins are considered to be raccoon proof</li><li>Residents will be able to purchase from recycling depots</li></ul>
Annual Compost Program	<ul style="list-style-type: none"><li>Increase from 350 yards to 800 yards of compost</li><li>Increase from three delivery locations to eight delivery locations</li></ul>
New Compactor for Markham Depot	<ul style="list-style-type: none"><li>Replace old unit at end of lifecycle</li></ul>
Non-compliant Set-out Imaging	<ul style="list-style-type: none"><li>Contractor to provide images of non-compliant set-outs to Contact Centre during service delivery</li><li>Contact Centre and Waste Staff can proactively respond to resident complaints</li></ul>
RFID System and On-board Scales	<ul style="list-style-type: none"><li>Both systems will enable more comprehensive reporting and analysis of collection data from multi-residential, institutional and municipal properties</li></ul>
Alternative Fuel and Green Fleet Pilot Plan (for future implementation)	<ul style="list-style-type: none"><li>Sustainable, scalable solution to reduce GHG emissions from one or more Collection Vehicles</li></ul>



## 13. CONTRACT AWARD FINANCIAL IMPACT

- In July 2020, Council approved a nine (9) month extension of the Miller Waste Systems collection contract, for the period of December 1, 2020 to August 31, 2021. The annualized cost of the extension is \$11,922,296
- The annualized cost of the recommended contract award is \$14,292,614, which represents an increase of \$2,370,318 (\$14,292,614 - \$11,922,296) or 19.9% over the contract extension, exclusive of growth

Contract Extension Annualized	Recommended Contract Award Annualized	Variance (\$)	Variance (%)
\$11,922,296	\$14,292,614	\$2,370,318	19.9%



## 14. OPERATING BUDGET FINANCIAL IMPACT

- The 2020 budget of \$9,723,983 will increase to an estimated amount of \$12,609,620 in 2021, inclusive of Consumer Price Index (CPI) and growth. This is an incremental increase of \$2,885,637 (\$12,609,620 - \$9,723,983) to the 2020 budget
- The 2021 budget is comprised of eight (8) months based on the Council approved contract extension, approved by Council in July 2020, from January 1 to August 31, 2021 and four (4) months, from September 1, 2021 to December 31, 2021, based on the recommended contract award. This increase will be included as part of the 2021 Operating Budget, subject to Council approval of the 2021 Operating Budget
- The 2022 budget represents the first full year of annualized cost for the new RFP. It is estimated that the total cost will be \$14,292,614 (incremental increase of \$1,682,994 over the 2021 budget) inclusive of growth
- All future Contract years include a CPI and growth component



## 15. RECENT MUNICIPAL COLLECTION CONTRACT AWARDS

Waste industry is experiencing unprecedented challenges. When comparing the current contract (pre-extension) to the recommended contract award there is a 43.8% overall price increase. Industry providers have attributed significant cost increases to:

- Blue Box transition uncertainties
- Poor recycling markets and declining revenues
- Increased curbside tonnages
- Increased labour costs and shortage of licensed DZ drivers
- Significantly higher insurance costs
- Increased vehicle purchase costs and stronger US dollar as collection trucks are mainly manufactured in the US
- Covid-19

**These factors have resulted in cost increases in recent collection contract awards. Municipalities have seen fewer bid responses and price increases ranging from 20% to 114%**



## 16. CONCLUSIONS

- Four RFP proposals received and evaluated
- Evaluation of proposals based on technical qualifications (70%) and price (30%) for selection of a service provider who provides quality service
- Project Team is recommending that the collection contract be awarded to Miller Waste Systems as the highest ranked proponent
- The third party Fairness Monitor concluded that the RFP procurement process was conducted in accordance with the process set out in the RFP and all applicable policies and procedures as well as the principles of openness, fairness, consistency and transparency.

**Project Team will be reporting back to Council with recommendations on transition timing and cost impacts once the regulations are finalized by the Province.**



## 17. RECOMMENDATIONS

1. THAT the report entitled “Award of Contract 089-R-19 Residential and Multi-residential Waste Management Collection” be received;
2. AND THAT the Contract for Residential and Multi-residential Waste Management Collection services be awarded to the highest ranked, second lowest priced proponent, Miller Waste Systems Inc. for a term of eight (8) years, from September 1, 2021 to August 31, 2029 in the amount of \$114,340,912 (incl. of HST), subject to annual adjustments for growth and Consumer Price Index (CPI);
3. AND THAT the Contract include an option for the City (in its sole discretion) to extend the Contract term for up to two (2) additional one (1) year terms on the same terms and conditions, including pricing, and that the Chief Administrative Officer be authorized to exercise this option to extend the Contract for such additional one (1) year terms(s) on behalf of the City, upon the recommendation of the Director, Environmental Services (or successor);
4. AND THAT the 2021 Waste Management Operating budget be increased by \$2,885,637 inclusive of CPI and growth. The budget shortfall is to be included as part of the 2021 Operating budget, subject to Council approval of the 2021 Operating budget;



## 17. RECOMMENDATIONS (cont.)

5. AND THAT the City Solicitor be authorized to prepare the Contract in consultation with Staff from Environmental Services and Finance substantially in accordance with the terms, rates, and conditions outlined in this report;
6. AND THAT the Mayor and City Clerk be authorized to execute the Contract (and any other documentation necessary to give effect to the Contract) in a form satisfactory to the Chief Administration Officer and City Solicitor;
7. AND THAT future Purchase Orders for Waste Management collection services be revised to reflect the Council approved contract amounts;
8. AND THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.