


**Item No. 11.1.1**  
**Halifax Regional Council**  
**October 23, 2012**

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:** Original signed by   
\_\_\_\_\_  
Richard Butts, Chief Administrative Officer

Original Signed by   
\_\_\_\_\_  
Mike Labrecque, Deputy Chief Administrative Officer

**DATE:** October 4, 2012

**SUBJECT:** **Contract Extension RFP No. 07-391 Collection and Transportation of Source-Separated Solid Waste**

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**ORIGIN**

Solid Waste Resource Management System (SWRMS) Strategy Review.

The original five year term of the current municipal curbside source-separated solid waste collection contracts for RFP No. 07-391 ends on June 30, 2013.

**RECOMMENDATION**

It is recommended that Halifax Regional Council extend the existing residential curbside solid waste collection contracts with the existing contractors for a one year period (July 1, 2013 to June 30, 2014), and authorize a second extension option year at HRM's sole discretion (July 1, 2014 to June 30, 2015) as per the terms outlined in the discussion section of this report and as outlined in the budget implications section of the report. Funding is from the annual Solid Waste Resources Operating Budget (Account R322 6399) as outlined in the Budget Implications section of this report.

## **BACKGROUND**

Request for Proposals No. 07-391, Provision of Services for Collection and Transportation of Source-Separated Solid Waste provides for the residential curbside collection of garbage, organics and recyclables in eight collection areas within HRM. These solid waste collection services commenced on July 1, 2008 and the contract expires June 30, 2013.

## **DISCUSSION**

Under the current contract there is no extension clause. However, following discussions with Legal and Procurement, it was determined that HRM could negotiate an extension within the existing RFP. The terms and conditions that follow meet that requirement.

HRM's collection contracts expire 30<sup>th</sup> June 2013, and are up for renewal. HRM would normally issue an RFP this fall (2012) with award in early 2013 to facilitate contractor procurement and receipt of necessary equipment to commence a new contractual period beginning 1<sup>st</sup> July, 2013.

HRM is currently conducting a comprehensive solid waste system review, including the collection system. Detailing and accounting for the potential changes in a new RFP would introduce significant risk to HRM in terms of contract costs. An extension of existing contracts allows for continuity in service delivery while the work of the solid waste strategy review unfolds.

Staff believes that there is a very good chance that a new collections RFP process would result in higher costs for the overall collection program.

Given this circumstance, staff felt the best approach was to negotiate with the existing providers, terms that would extend through the period of analysis and review and provide for the maintenance of the current collections approach.

To that end, staff negotiated the following terms and conditions with the haulers:

<b>Parties</b>	Halifax Regional Municipality (HRM) & Contracted Haulers {Easter Shore Cartage, Leo Beasley, Miller Waste, Waste Management}
<b>Service Delivery</b>	Residential Waste Collection
<b>Material Types</b>	Biweekly organics/garbage collection and weekly/biweekly recyclables collection
<b>Term</b>	<ul style="list-style-type: none"><li>• July 1, 2013 to June 30, 2014;</li><li>• a second year option at HRM's sole discretion, July 1, 2014 to June 30, 2015.</li></ul>

<b>Conditions</b>	<ul style="list-style-type: none"><li>• These terms are subject to approval of HRM Council.</li><li>• The schedule of monthly and other unit pricing increases by 4.75% in the first contract extension year (in comparison to the July 1, 2012 to June 30, 2013 schedule of prices).</li><li>• The schedule of monthly and other unit pricing increases by 5% in the second contract extension year (at HRM's sole discretion) in comparison to the July 1, 2013 to June 30, 2014 monthly schedule of pricing;</li><li>• The pricing for biweekly organics/garbage collection and weekly/biweekly recyclables collection is increased annually on a per serviced unit basis for serviced units added each year in each collection area. NOTE: {The annual average increase in units for these contracts within HRM is 1300 over the past three years, which is included in the forecast budget cost};</li><li>• A fuel escalation clause applies based on the original benchmark price for diesel at the time of original contract responses with a +/-30% fuel collar for the current monthly diesel price in comparison to original. {The fuel collar is based on the current monthly average benchmark rack price for diesel in any month in comparison to the original benchmark rack price at the time of RFP response. The benchmark rack price from the time of RFP response was \$0.9123 per L (i.e. from Bloomberg guide)}; and</li><li>• Provide sufficient and reliable equipment to ensure completion of the required collection, on the designated collection day within the required collection period.</li></ul>
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All four contractors have agreed to and signed the Letters of Intent as per the terms outlined above.

### **BUDGET IMPLICATIONS**

Funding for collection services is available and allocated in the yearly Solid Waste Resources Operating Budget Account R322 6399. The 2012/13 budgeted amount in Account R322 6399 is \$14,001,900 which includes budget allocation for curbside collection services, condominium collection services, refrigerant removal, green cart deliveries, etc. See Attachment A which outlines a breakdown of service providers and service costs in each collection area for both the extension year and option year.

This recommendation increases current collection pricing in each of the collection areas by 4.75% for the first year and by 5% for the second option year.

- Estimated cost for the first year extension period (July 1, 2013 to June 30, 2014) is \$12,701,803 plus net HST for a total of \$13,246,202.
- Estimated cost for second option year is \$13,336,893 plus net HST for a total of \$13,908,512.

As noted previously, the average annual increase for the curbside collection services over the previous five years was approximately 5.5%. The proposed 4.75% and 5% first and second year increases are approximately \$260,000 below the average annual increase of the past five years.

This contract extension recommendation results in a projected overall solid waste program budget increase in FY13/14 of \$381,128, or 0.78%. Staff continue to work on options to keep the solid waste overall budget expenditures flat into FY13/14.

### **FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

### **COMMUNITY ENGAGEMENT**

The ongoing strategy review process includes a community engagement process which will provide feedback to the evaluation of the collection program going forward. There are no anticipated changes to service levels as a result of this contract extension.

### **ENVIRONMENTAL IMPLICATIONS**

- Environmental Stewardship is a priority of the HRM's SWRMS Strategy Review. The collection program and waste processing facilities and operational models have the potential to reduce the GHG impact of the Solid Waste Resources program on HRM.
- There are no identified additional environmental impacts to HRM of extending the existing contracts.

### **ALTERNATIVES**

An alternative to a contract extension is to issue an updated RFP for the standard five (5) years for the required collection services, which would have to include the additional stipulation that a number of factors could change during the contract period. This is not recommended due to the implications to costs and challenges of incorporating all the variables into a workable RFP and enabling an effective evaluation of the submitted proposals.

An additional alternative is to issue a new RFP for a two year period only in order to enable HRM the ability to evaluate the strategy review results and implement any approved changes to

the collection system through a subsequent RFP. However, this is also not recommended as it puts HRM at risk of contract cost increases due to the short duration of the contract period.

## **ATTACHMENTS**

### **Attachment A – Collection Contract Projections**

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If the report is released to the public, a copy can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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## Attachment A - Collection Contract Projections

	Existing Contract	Recommendation	
	July 2012-June 2013 Cost Estimate	July 2013-June 2014 Cost Estimate (4.75% increase)	July 2014-June 2015 Cost Estimate (5% increase)
Area 1			
Waste Management	\$2,607,555.82	\$2,731,414.72	\$2,867,985.46
Area 2			
Waste Management	\$1,858,822.10	\$1,947,116.15	\$2,044,471.96
Area 3			
Miller Waste Systems	\$1,004,980.78	\$1,052,717.37	\$1,105,353.24
Area 4			
Waste Management	\$1,214,441.48	\$1,272,127.45	\$1,335,733.82
Area 5			
Miller Waste Systems	\$1,818,037.99	\$1,904,394.79	\$1,999,614.53
Area 6			
Waste Management	\$1,241,711.17	\$1,300,692.45	\$1,365,727.07
Area 7			
Leo J. Beazley Ltd	\$1,232,258.04	\$1,290,790.30	\$1,355,329.81
Area 8			
Eastern Shore Cartage	\$1,148,018.88	\$1,202,549.78	\$1,262,677.27
	<b>\$12,125,826.26</b>	<b>\$12,701,803.01</b>	<b>\$13,336,893.16</b>
		Two year total	<b>\$26,038,696.17</b>

Note 1. Pricing based on RFP 07-391 responses.

Note 2. Pricing includes estimates for number of separate trucks and weekly organics.

Note 3. Current contract ends June 30, 2013.

Note 4. Estimates do not include yearly housecount adjustments and fuel adjustments.

Note 5. Net HST not included.