

Item No. 11.1.1
Halifax Regional Council
January 28, 2014

TO: Mayor Savage 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: December 23, 2013

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

ORIGIN

Solid Waste Resource Management Strategy System Review.

The original five year term of the current municipal curbside source-separated solid waste collection contracts for RFP No. 07-391 ended on June 30, 2013. Regional Council approved an initial one year contract extension that ends on June 30, 2014.

At its October 23, 2012 session, Regional Council approved the following motion:

“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 if any further extension is required, the matter come back to Regional Council for decision. Funding is from the annual Solid Waste Resources Operating Budget (Account R322 6399) as outlined in the Budget Implications section of the October 4, 2012 staff report.”

LEGISLATIVE AUTHORITY

Under the HRM Charter, Section 79, Halifax Regional Council may expend money for municipal purposes. Administrative Order #35, The Procurement Policy, requires Council to

approve the award of contracts for sole sources exceeding \$50,000 or \$500,000 for Tenders and RFPs (request for proposals). The following report conforms to the above Policy and Charter.

RECOMMENDATION

It is recommended that Halifax Regional Council exercise its option to extend the existing residential curbside solid waste collection contracts with the existing contractors for the second one year extension period (July 1, 2014 to June 30, 2015) as per the terms outlined in the Discussion section of this report and as outlined in the Financial Implications section of this report. Funding is from the annual Solid Waste Resources Operating Budget (Account R322-6399) as outlined in the Financial 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, for a five year period, with a one year contract extension and second year extension option (at HRM's discretion) approved by HRM on October 23, 2012.

DISCUSSION

The terms of an initial one year contract extension and second year extension option (at HRM's discretion) were negotiated with the four contracted service providers in August/September, 2012 and are contained in the October 4, 2012, staff report "Contract Extension RFP No. 07-391 Collection and Transportation of Source-Separated Solid Waste" submitted at the October 23, 2012 session of Regional Council.

The terms and conditions of the first and second year extensions with the four service providers are summarized as follows:

Parties	Halifax Regional Municipality (HRM) & Contracted Service Providers – Leo J. Beazley, Eastern Shore Cartage, Miller Waste, Waste Management
Service Delivery	Residential Curbside Solid Waste Collection
Material Types	Biweekly organics/garbage collection and weekly/biweekly recyclables collection and additional collection services (e.g. separate collections, etc.)
Duration	<ul style="list-style-type: none">• Initial one year extension (July 1, 2013 to June 30, 2014)• Second year extension option (July 1, 2014 to June 30, 2015)
Pricing	<ul style="list-style-type: none">• 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)

	<p>of prices)</p> <ul style="list-style-type: none"> • The schedule of monthly and other unit pricing increases by 5% in the second contract extension year (in comparison to the July 1, 2013 to June 30, 2014 schedule of prices)
<p>Terms and Conditions</p>	<ul style="list-style-type: none"> • HRM’s sole discretion to extend the contract for the second extension year (July 1, 2014 to June 30, 2015) with a minimum ninety (90) days of notice prior to the completion of the first contract extension year • New serviced units are addressed annually in each of the contracted collection areas by increasing the pricing on a per unit basis for units added in the areas (included annually in the forecast budget cost) • 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 then current monthly diesel price in comparison to original • Provide sufficient and reliable equipment to ensure completion of the required collection, on the designated collection day within the required collection period

Prior to the initial year of this contract extension, staff analysed the total pricing over the five years of the existing collection contracts under RFP No. 07-391. The average annual increase in pricing for the curbside collection services over this five year period was approximately 5.5%. For the contract extension period, the existing collection pricing in each of the collection areas was negotiated to increase by 4.75% for the first year and by 5% for the second option year. The monthly and other unit pricing are adjusted by these percentages. All other terms of the agreements remain as per the current contract and RFP. This includes the annual house count adjustment and fuel adjustment clauses.

HRM’s initial extension year of the collection contracts expires June 30, 2014. A normal time line for issuing and awarding a Collection RFP is six to eight months prior to contract start-up to allow sufficient time for contractors to procure and receive necessary equipment.

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

Based on the two previous new collection contracts, a new collection RFP process would likely result in higher costs for the overall collection program. In addition, several recommendations in the strategy review process affect the collections regime. Given this circumstance, staff believe the best approach is to execute the second year extension option for the curbside collection contracts with the existing service providers. Once the strategy review process confirms Regional Council’s intentions in terms of collections and bylaw changes, a new RFP will be developed and issued in the fall 2014.

FINANCIAL IMPLICATIONS

Funding for collection services is available in the yearly Solid Waste Resources Operating Budget Account R322-6399. The 2013/14 budgeted amount in Account R322-6399 is \$14,454,900 which includes budget allocation for curbside collection services, condominium collection services, refrigerant removal, green cart deliveries, etc. See Attachment A which provides the list of contractors (service providers) and estimated curbside collection costs in each collection area for the initial extension year and the second extension (option) year.

Under this recommendation that existing collection pricing in each of the collection areas is increased by 5% for the second option year, the estimated cost for municipal curbside collection services for this second extension year is \$13,336,893 plus net HST in the amount of \$571,619 for a total of \$13,908,512.

COMMUNITY ENGAGEMENT

The ongoing strategy review process included a community engagement process which provided feedback to the evaluation of the collection program going forward. There is no anticipation of any service level changes as a result of this contract extension.

ENVIRONMENTAL IMPLICATIONS

- HRM's Solid Waste Strategy System Review, and in particular the collection program and waste processing facilities and operational models, have the potential to reduce the GHG impact of the Solid Waste Resources collection service and overall program on HRM through the potential location of new infrastructure, route optimization, fleet types and operating models.
- There are no identified additional environmental impacts to HRM of extending the existing contracts.

ALTERNATIVES

An alternative to the second contract year extension is to issue an updated RFP for the standard five (5) to seven (7) years for the required collection services as soon as possible for start-up July 1, 2014, with 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 only a one year period in order to enable HRM the ability to evaluate the strategy review results and implement any approved changes to the collection system through a further 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

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

	Original Contract	Recommendation
	July 2013-June 2014 Cost Estimate (4.75% increase)	July 2014-June 2015 Cost Estimate (5% increase)
Area 1		
Waste Management	\$2,731,414.72	\$2,867,985.46
Area 2		
Waste Management	\$1,947,116.15	\$2,044,471.96
Area 3		
Miller Waste Systems	\$1,052,717.37	\$1,105,353.24
Area 4		
Waste Management	\$1,272,127.45	\$1,335,733.82
Area 5		
Miller Waste Systems	\$1,904,394.79	\$1,999,614.53
Area 6		
Waste Management	\$1,300,692.45	\$1,365,727.07
Area 7		
Leo J. Beazley Ltd	\$1,290,790.30	\$1,355,329.81
Area 8		
Eastern Shore Cartage	\$1,202,549.78	\$1,262,677.27
	\$12,701,803.01	\$13,336,893.16

Note 1. Pricing based on RFP 07-391 responses with 4.75% increase for Year 1 and 5% increase for Year 2.

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

Note 3. Estimates do not include yearly housecount adjustments and fuel adjustments.

Note 4. Net HST not included.