



## CITY OF VANCOUVER

### ADMINISTRATIVE REPORT

Report Date: August 22, 2006  
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VanRIMS No.: 03-1200-11  
Meeting Date: September 12, 2006

TO: Vancouver City Council  
FROM: General Manager of Engineering Services and Manager of Materials Management  
SUBJECT: Renewal of Contract PS02024, Processing of Landfill Cover Material and Ancillary Services

#### RECOMMENDATION

- A. THAT Council approve exercising the options to extend the Contract with Poschner Construction (88) Ltd. for the processing of Landfill Cover Material and providing Ancillary Services until January 31, 2008 at an estimated cost of \$1,300,000 per year plus GST (less any municipal rebate received) and PST (where applicable);
- B. THAT the Director of Legal Services be authorized to execute and deliver on behalf of the City all legal documents required to implement Recommendation A;
- C. THAT all such legal documents be on terms and conditions satisfactory to the General Manger of Engineering Services, the Manager of Materials Management and the Director of Legal Services; and
- D. THAT no legal rights or obligations will be created by Council's adoption of Recommendations A, B and C above unless and until such legal documents are executed and delivered by the Director of Legal Services.

## COUNCIL POLICY

The policy of Council is to award contracts for the purchase of equipment, supplies and services that will give the highest value based on quality, service and price.

Contracts with a value over \$300,000 are referred to Council for approval.

## BACKGROUND

The City owns and operates a 635 hectare municipal solid waste landfill (the "Landfill") in Delta. A critical component of the operation is the need for a continuous supply of material to cover the refuse on a daily basis (the "Cover Material"). Cover Material is primarily waste excavation material from sewer, water and street construction that is delivered to the Landfill. A contractor is hired by the City to stockpile the Cover Material and separate the oversized rubble from the soil in such Cover Material. This contractor then transports both the soil and the rubble to various sites within the Landfill. This contractor also provides the fire protection services and contingency pumping and ancillary services (such as the rental of the contractor's on-site equipment, with and without operator, to supplement City forces at the Landfill during peak periods or special projects) (all such services collectively referred to hereinafter as the "Ancillary Services").

In 2002, three companies bid on the invitation to tender for the contract for processing Cover Material and providing Ancillary Services at the Landfill. Poschner Construction (88) Ltd. ("Poschner") was the low bidder, with a price between 13% and 23% lower than its competitors.

On November 5, 2002, Council awarded a 24-month contract (the "Contract") to Poschner for processing Cover Material and providing Ancillary Services at the Landfill. The Contract provides for three (3) additional 12-month period extensions by mutual agreement. The renewal options also provide for all the prices in the Contract to be adjusted by the change in the Consumer Price Index for all items ("CPI-AI") published by Statistics Canada for the Vancouver area.

Poschner's bid was based on a unit price per cubic metre for hauling Cover Material within the Landfill, as well as hourly and flat monthly prices for the Ancillary Services. The total value of the Contract depends on the actual quantities of Cover Material hauled and the amount of other work completed as part of the Ancillary Services.

Poschner's original bid in 2002 was for an estimated \$885,999 per year with CPI-AI adjustment each year. Between 2002 and 2005, there was a 35% increase in the amount of municipal solid waste received at the Landfill, from 390,000 to 525,000 tonnes, due to increased transfer waste received from the Greater Vancouver Regional District's transfer stations. Increased waste tonnages resulted in increased requirements for processing Cover Material and providing the Ancillary Services under the Contract. Therefore, the total Contract price in 2005 was \$1,532,337.

## DISCUSSION

The invitation to tender for the Contract called for pricing for a twenty-four (24) month period with an option to extend for three additional twelve (12) month periods by mutual agreement between the City of Vancouver and the contractor. The Contract provides for all the prices to be adjusted after each year of the Contract by the change in the CPI-AI for the previous year ending December 31; the change in the CPI-AI was 1.5% in 2005 (as published by Statistics Canada for the Vancouver area).

Poschner has been an excellent supplier over the duration of the Contract, providing good value in the Cover Material processing and Ancillary Services it provided at the Landfill.

City staff have been negotiating with Poschner for the current extension of the Contract, which commenced on February 1, 2006. Poschner has requested that the City consider a one time increase in the Contract prices to offset increased fuel prices. Because Poschner uses heavy equipment for the work under the Contract, its costs are impacted by fuel prices. In addition, fuel prices make up more of Poschner's costs than accounted for in the change in CPI-AI. The cost of diesel fuel in Vancouver has increased from \$0.68 per litre in 2002 to \$1.02 cents per litre in 2005 (according to Statistics Canada), an increase of approximately 50%.

As the construction industry is much more active now than in 2002, if the work under the Contract were to be retendered, City staff anticipate that the City would receive higher bids for this work than the City would have to pay under a negotiated extension to the Contract with Poschner. Therefore, City staff recommend that Council exercise its option to extend the Contract for the remaining two 12-month extension periods, with all the Contract prices increased by:

- the CPI-AI adjustment plus 2.7% for increased fuel prices (this 2.7% increase equals the increase in Poschner's total costs above the CPI-AI adjustment due to increased fuel prices) for the February 1, 2006 to January 31, 2007 extension; and
- the CPI-AI adjustment for the February 1, 2007 to January 31, 2008 extension.

## FINANCIAL IMPLICATIONS

Funding for the provision of Cover Material processing and Ancillary Services is provided for in the Landfill operating budget. The proposed increases in the Contract with Poschner will not significantly impact the Landfill operating budget.

## CONCLUSION

As Poschner has been providing satisfactory work to the City under the Contract, and the concern by City staff that retendering the work under the Contract would lead to higher prices, it is recommended that the City exercise its option to extend the Contract for processing Cover Materials and providing Ancillary Services at the Landfill until January 31, 2008 at an estimated cost of \$1,300,000 per year (which sum includes a one-time increase in all the Contract prices of 2.7% to offset Poschner's increased fuel costs, and a yearly CPI-AI adjustment) plus the Goods and Services Tax (less any municipal rebate received) and the PST.

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