



ADMINISTRATIVE REPORT

Report Date: February 9, 2009
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VanRIMS No.: 08-2000-20
Meeting Date: February 19, 2009

TO: Standing Committee on City Services and Budgets

FROM: General Manager of Engineering Services

SUBJECT: Award for Expression of Interest PS08182 Collection of Recyclable Materials from Multi-Family Buildings

RECOMMENDATION

- A. THAT, subject to the conditions set out in Recommendations C, D and E, Council authorize the General Manager of Engineering Services to enter into an agreement with Waste Management of Canada for Collection of Recyclable Materials from Multi-Family Buildings in the contracted areas (Area I, II and III) for a period of five (5) years at an estimated annual cost of \$1.96 million plus GST with a subsequent renewal option for one (1) additional two (2) year period.
- B. THAT, subject to the conditions set out in Recommendations C, D and E, Council authorize the General Manager of Engineering Services to enter into an agreement with Waste Management of Canada to begin Collection of Recyclable Materials from Multi-Family Buildings in Area II on May 1, 2009 rather than August 1, 2009 at an estimated additional cost of \$75,000.
- C. THAT, the Director of Legal Services be authorized to execute and deliver on behalf of the City all legal documents required to implement Recommendations A and B.
- D. THAT, all such legal documents be on terms and conditions satisfactory to the General Manager of Engineering Services and the Director of Legal Services.
- E. THAT, no legal rights or obligations will be created by Council's adoption of Recommendation A, B, C and D above unless and until such legal documents are executed and delivered by the Director of Legal Services.

CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of A-E.

COUNCIL POLICY

On April 28, 1998, Council approved implementation of the Apartment Recycling Program using both private and City collection services.

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

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

BACKGROUND

The City's Apartment Recycling Program (ARP) has been operating city-wide since 1999. The program includes apartment buildings, condominiums, row housing, townhouses as well as other multi-family buildings in the City.

On April 28, 1999 Council approved the ARP which included using private contractors and City crews for collection of recyclables. Prior to the ARP, private contractors serviced these apartments. When the City implemented the ARP, these private contractors objected to the City's involvement. To provide an opportunity for continued operation by private companies, Council approved implementation of the ARP using both private and City recycling collection services. Utilizing a contractor to provide recycling collection service to a portion of the residential sector also provides the City the opportunity to benchmark its performance and costs.

The ARP collection contract has been re-tendered every 5 years to ensure the City continues to receive best value.

Three (3) specific geographic areas of the City are being serviced by private contractors (shown in Appendix A). The three areas contain roughly 40% of residential dwelling units in Vancouver. Service to the remaining area of the city is provided by City of Vancouver forces.

The current recycling collection contract expires April 30, 2009 for Areas I and III, and July 31, 2009 for Area II.

DISCUSSION

On October 2, 2008 the City issued an Expression of Interest (EOI PS08182) for Collection of Recyclable Materials from Multi-Family Buildings in Areas I, II and III. Estimated prices were requested through the EOI. In addition to notifying the incumbent contractor to the City and other known contractors, the EOI was advertised on BC BID and the City's website.

Three (3) responses were received and opened on October 29, 2008 and referred to the General Manager of Engineering Services for evaluation and report. One of the responses did

not meet the scope of work requirements and was set aside. The two (2) remaining responses, from Halton Recycling Ltd. and Waste Management of Canada Inc., were evaluated by a three (3) person evaluation team. The responses were evaluated individually by team members and a composite score was assigned to each response based on team member scores.

The responses were evaluated based on the proponents' qualifications, experience and demonstrated abilities, understanding of the work, proposal details, cost and that which is considered to provide best overall value to the City. The evaluation team ranked the response from Waste Management of Canada highest.

Table 1. Expression Of Interest Pricing

Area	Approximate Number of Units	HALTON RECYCLING LTD. Proposed Annual Amount	WASTE MANAGEMENT OF CANADA, INC. Proposed Annual Amount
I	60,219	\$1,278,449.37	\$1,227,263.22
II	22,361	\$530,626.53	\$455,717.18
III	13,471	\$339,873.33	\$274,538.98
	TOTAL	\$2,148,949.23	\$1,957,519.38

The pricing falls within reasonable ranges as determined by preliminary estimates made by staff. There is a significant increase in pricing over the current contract with Halton Recycling Ltd. (dba International Paper Industries), however it is generally understood that the current contract was underbid (in 2003) and contributed to the current contractor struggling to consistently meet the performance requirements of the contract. It is noted that the pricing proposed by the current contractor (Halton Recycling Ltd.) is approximately \$1.5 million per year higher than the current contract.

The existing recycling collection contract ends April 30, 2009 for Areas I & III, and July 31, 2009 for Area II; however, the current contractor has been asked to amend the collection end date for Area II by way of a mutual letter agreement. The proposal from Waste Management provides possible collection service commencement dates of May 1, 2009 for all three contract areas. Subject to agreement between the City and the current contractor to amend the collection end date for Area II, staff recommends having Waste Management commence collection services for all three areas on May 1, 2009, primarily to eliminate the staged collection commencement and end dates and simplify the transition for this contract and all future contract changes. The difference between the cost to have Waste Management begin collection in Area II on May 1, 2009, and the cost to continue with the current contractor in Area II through July 31, 2009, is approximately an additional \$75,000.

FINANCIAL IMPLICATIONS

The cost of providing recycling collection service to apartments is funded by the Solid Waste Utility (SWU) user fees. The SWU Fees are set annually to recover the annual budgeted cost of providing the recycling program services. A surplus (savings) or deficit (cost overrun) incurred in a given year is normally carried forward. These surpluses or deficits are reduced or eliminated over several years by adjusting the next years' user fees accordingly. The Solid Waste Capital Reserve is used as a solid waste utility rate stabilization fund.

The 2009 SWU user fees were approved by Council on October 30, 2008. The Recycling Program fees for 2009 were set based on the \$0.64 million per year cost of the existing contract in Areas I, II & III. The recommended proposal from Waste Management of Canada for Areas I, II & III is estimated to cost \$1.96 million per year. The increase of approximately \$1.32 million per year itself will result in a recycling user fee increase of about \$5 per year per customer starting in 2010.

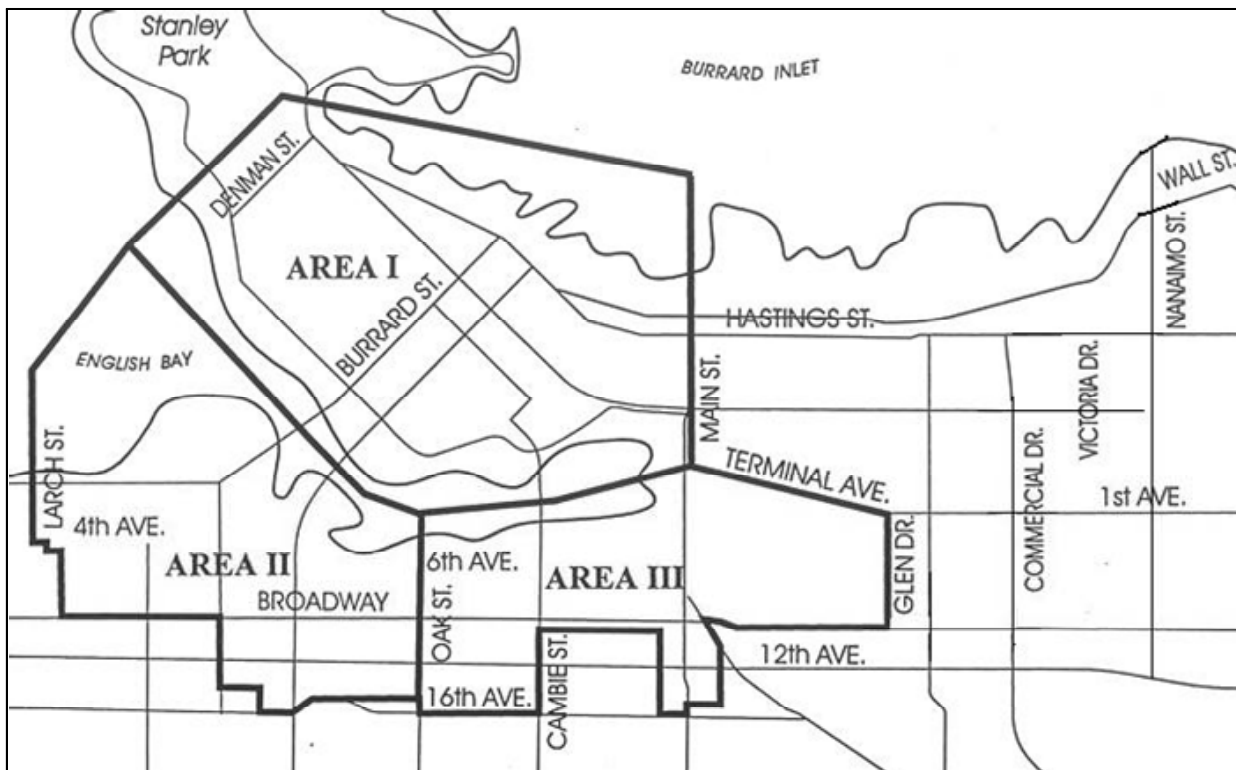
For 2009, staff estimates that the new contract costs will exceed the budgeted amount by about \$0.88 million. This budget variance (along with the anticipated deficit due to a steep drop in recyclable commodity prices) will be addressed in the 2010 SWU User Fee Report that Council will receive at the end of 2009. In keeping with the self-funding principle of the Solid Waste Utility, it is anticipated that staff will recommend that the 2009 deficit be recovered through the annual SWU user fees in the following one to two year period. And in keeping with the policy of funding SWU user fee deficits, the 2009 deficit would be temporarily funded over the same 2010-2011 period from the Solid Waste Capital Reserve. The Reserve is sufficiently large to fund this deficit.

CONCLUSION

The General Manager of Engineering Services recommends acceptance of the response to Expression Of Interest PS08182 offering best value to the City and entering into an agreement with Waste Management of Canada for Collection of Recyclable Materials from Multi-Family Buildings in Areas I, II and III for a period of five (5) years at an estimated annual cost of \$1.96 million.

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CONTRACTED AREAS FOR APARTMENT RECYCLING PROGRAM



AREA	Description	Number of Suites	Number of Buildings
I	Bounded by Stanley Park, English Bay, False Creek, Terminal Ave., Main St., Burrard Inlet and Coal Harbour	60,219	893
II	Bounded by Larch St., 4 th Ave., Balsam St., 5 th Ave., Vine St., Broadway, Burrard, 14 th Ave., Firs St., 16 th Ave., Marpole Ave., 15 th Ave., Oak St., False Creek and English Bay	22,361	979
III	Bounded by Oak St., 16 th Ave., Cambie St., 10 th Ave., Ontario St., 16 th Ave., Main St., 15 th Ave., Prince Edward St., Kingsway, Broadway, Glen Dr., Terminal Ave. and False Creek	13,471	453