

BACKGROUND

The City of Surrey is currently in the final year of a five-year contract with Waste Management, Inc. (“WM”), which ends December 31, 2007.

Services within this contract include waste, recycling and yard waste collection to single-family residences and recycling collection from multi-family residences. The services include disposal of these materials at appropriate facilities located within the Lower Mainland. The current collection services also include the Large Item Pick-Up program, offering residents the opportunity to dispose of 4 large household items at the curbside during each calendar year.

Collection is presently performed on a four-day week (Monday through Thursday).

The City issued an RFP in mid-July 2008 for the provision of waste collection services. Award of this contract is required by early October 2007 to allow the preferred proponent the time required to schedule equipment procurement needs for the January 1, 2008, contract commencement date.

DISCUSSION

In total, seven proponents obtained copies of the RFP. At the submission deadline date of August 31, 2007, the City received two proposals. The responding proponents were International Paper Industries (“IPI”) and WM.

A. Service Options

This RFP required that proponents provide pricing for the provision of the following service options:

1. Weekly curbside waste collection including the Large Item Pick-Up program (“LIPU”) for single family dwellings;
2. Weekly curbside recyclables collection for single family dwellings, and multi-unit residential dwellings;
3. Weekly curbside yard waste collection from single family dwellings;
4. Weekly collection of waste from the City’s litter barrels (bus stop and sidewalk receptacles);
5. Supply and delivery of recycling totes (bins);
6. Extra services including the provision of equipment and resources (via hourly rates);
7. Collection of materials based on the City’s current four-day collection schedule (Monday to Thursday) as well as options for five-day collection (Monday to Friday); and
8. Collection of recyclables based on the City’s current 3-stream collection process (blue box, blue and yellow bags), and alternative pricing based on a “single-stream” recycling collection approach where all recyclables that are presently collected would be done so in a single container (rather than requiring residents to separate recyclables at curbside).

In addition to the above, the RFP requested pricing for the weekly collection of recyclables from City facilities (limited to each internal Department’s recyclables collection needs). While the current contractor provides these services for certain facilities, the new contract will ensure that these services are applied more thoroughly and consistently throughout all City facilities.

The RFP also provided proponents with an estimated number of units for secondary suites. Proponents were advised that, as per By-law No. 3055, the secondary suite services would include the collection of waste, recyclables and yard waste. The RFP also specified that the secondary suite rate would be calculated as 50% of the combined single family dwelling rate for waste (with LIPU), recyclables and yard waste collection.

B. Proposal Evaluation

Under the RFP, the evaluation of Proposals was the responsibility of an Evaluation Team appointed by the City. The Team had the responsibility of applying the Evaluation Criteria as set out in the RFP. The Evaluation Team was entitled to obtain assistance and advice from consultants and staff.

The Evaluation Team included the City's Operations Manager the City's Deputy Manager, Operations and Mr. Jonathon Huggett, Principal of J. Huggett and Co. The Evaluation Team conducted its review with the assistance of advisors including, members of the Finance & Technology Dept., the City Solicitor and external legal counsel from Bull, Housser & Tupper.

The RFP identified the evaluation process, which allowed the Evaluation Team to review each proposal based on a variety of factors including, among others, experience, references and price.

Overall, IPI offered significantly lower costs in their proposal compared to the costs included in the WM proposal. The range of annual costs for the service options presented by each proponent is as follows:

IPI:	<u>Annual Costs</u>
Highest Cost Option:	\$12,166,718.50
Lowest Cost Option:	\$ 9,366,709.00
WM:	<u>Annual Costs</u>
Highest Cost Option:	\$17,829,481.40
Lowest Cost Option:	\$16,258,322.00

The costs associated with WM's options and alternative options were significantly higher than the costs presented by IPI for the range of options it proposed.

Recommended Proponent and Recommended Option:

Based on the evaluation, IPI is the preferred proponent.

IPI's lowest cost option, which has a 2008 annual cost of \$9,366,709 provides for a five-day collection schedule (versus the current four-day collection cycle) and single-stream recycling collection. This option was not considered acceptable, as it requires residents to use only biodegradable (brown) bags for yard waste with no alternatives. This would be difficult to enforce and would likely lead to complaints from the City's residents due to the price of biodegradable bags and the fact that these bags tend to be difficult to handle if wet materials are left in them for a number of days. Overall, this option would likely be viewed by the

City's residents as providing a lower level of service than the service currently being provided.

The IPI service option that the Evaluation Team is recommending as the basis for the waste contract:

- provides for customers to use biodegradable bags and/or designated garbage cans for yard waste;
- would involve a five-day collection schedule; and
- would provide for single-stream recyclables collection.

The annual cost of this option is **\$9,534,904** for 2008.

Five-Day versus Four-Day Collection

Switching from the City's current four-day collection schedule to a five-day schedule on January 1, 2008 (the commencement date of the new contract) is appropriate since yard waste volumes are lowest during the winter season. It is expected that there may be some minor transition issues for those residents residing within new collection day boundary areas; however, it is expected that the new boundaries will be well understood by the affected residents within a few weeks of the new operation being implemented. Staff will work closely with the collection contractor in establishing the new boundaries well in advance of the January 1 start date. Residents will be advised of the change well in advance of the changeover date and be provided with reminders during the first few weeks of the new operation.

Under the five day collection cycle, when a Statutory Holiday occurs during the week, waste collection will occur one day late during the week of the holiday, excluding Boxing Day (collections would occur each Boxing Day). There would be 10 weeks during the year when Saturday collections would occur. The Engineering Department would staff these days with 3 to 5 staff members to monitor the contractor and deal with customer phone calls. The estimated cost to the City would be less than \$15,000/year for this service.

Single-Stream Recycling Collection versus Three-Stream Recycling Collection

From a customer perspective, the single-stream recycling approach is more convenient than the current three-stream approach. Under single stream recycling, residents can place all recyclable materials into one container. The onus is no longer on the resident to sort the materials prior to collection. This also means that there is only one recycling materials container to carry to the curb for collection each week. Accordingly, other than ensuring that the City's customers are aware of the single-stream process prior to January 1, 2008, this approach would not be deemed an inconvenience. From an environmental perspective, single-stream recycling collection typically generates greater diversion of recyclables from the waste stream given its convenience, compared to three-stream collection approach that has been in place in Surrey for several years. Residents tend to recycle more via a single-stream process because it's easier to do so.

Starting in January 2008, the City will supply larger volume/capacity blue boxes to new households and will provide these larger capacity boxes as replacement blue boxes for existing customers upon request. Information relating to single-stream recycling will be

provided to all customers both prior to and during the first few weeks after the commencement of single-stream collection services.

Yard Waste Disposal using Biodegradable (Brown) Bags

As discussed previously, the collection of yard waste using brown biodegradable bags or designated (marked) garbage cans is being recommended. Compared to disposing of yard waste using standard clear plastic lawn & leaf plastic bags, the use of biodegradable bags and/or designated cans negates the need for a manual debagging process at the compost facility which translates into significant yard waste disposal savings and reduced plastic bag waste going to the landfill. This supports the City's sustainability objectives.

Statement of Departures

The RFP provided for annual contract payment escalation based on the annual Vancouver CPI. Both IPI and WM proposed higher alternative increase mechanisms in their submitted Statement of Departures. Both proponents justified their alternative annual increase proposals as a means to cover potential increases to fuel costs. IPI's proposal in this regard was lower than WM's proposal.

The City's Evaluation Team rejected IPI's proposed annual price escalation provision. Providing for contract increases based on the Vancouver CPI is considered to be a better approach. However, staff acknowledges that the annual fuel escalation issue may present challenges to the contractor that could adversely impact services. In this regard, staff has agreed to provide an annual lump sum payment to offset the contractor's direct fuel cost increases only. This will be based on the Statistics Canada Industry Price Index for Diesel fuel in BC with the 2008 annual average being used as the base year for the term of the contract. Based on the increases in the average for the past few years, it is estimated that the annual lump sum costs will amount to \$115,000 to \$200,000 annually. IPI has agreed to this approach.

Service Commencement

IPI has demonstrated that it possesses adequate resources and equipment to commence waste, recyclables and yard waste collection services on January 1, 2008.

IPI's materials recovery facility, located centrally in Surrey (148 Street at 64 Avenue) is presently designed to accept recyclables in a 3-stream and dual-stream process. They have confirmed that they will be able to meet plant upgrades to accept single-stream recyclables by, or shortly following, the contract commencement date of January 1, 2008. Should equipment supply not allow for the commencement of single stream recycling by January 1, 2008, IPI will utilize 3-stream and dual-stream recycling collection vehicles for the first few months of 2008 with no additional costs or revenue loss to the City. However, by late winter/early spring, IPI will have single-stream compactors.

CONCLUSION

Based on the above discussion and in accordance with the attached memorandum, dated September 12, 2007, which is signed by each evaluation committee member, the Evaluation Team recommends that Council approve the award of the Curbside Waste, Recyclables, and

Yard Waste Collection Services contract to IPI for a five-year term from January 1, 2008 to December 31, 2012 at a 2008 annual cost of \$9,534,904.00, adjusted as follows:

1. Goods and Service Tax (payable, then rebated);
2. Annual increases based on the Vancouver CPI for 2009 and each year thereafter;
3. An annual lump sum payment to IPI for direct fuel escalation, for 2009 and each year thereafter, based on Stats Canada Index for diesel fuel in B.C.;
4. Ongoing increases to reflect the growth in Surrey's customer base (i.e., increase in units from which waste and recyclables are collected); and
5. An annual guaranteed minimum payment to the City by the Contractor for recyclables of \$1,000,000.00 for the term of the Contract.

This contract contains the provision that the City may, at its election, by written notice to IPI given on or before July 1, 2012, request they extend the term for a period(s) of up to an additional five calendar years to December 31, 2017. Such a contract extension requires that IPI renew the contract performance security to cover the extended period(s) requested by the City.

Paul Ham, P.Eng.
General Manager, Engineering

PH/RAC/brb/ar
Attachment



INTER-OFFICE MEMO

TO: General Manager, Engineering
FROM: Evaluation Team
DATE: September 7, 2007 FILE: 1300-10 (Garbage & Recycling)

RE: RFP No. 1220-30-26-07 City of Surrey Curbside Waste, Recyclables and Yard Waste Collection Services

Pursuant to Section 4 of RFP No. 1220-30-26-07, and in consideration of all proposals received, including clarifications, the Evaluation Team recommends award of the Curbside Waste, Recyclables and Yard Waste Collection Services to International Paper Industries for the delivery of Curbside Waste, Recyclables, and Yard Waste Collection Services for a five year term commencing January 1, 2008 to December 31, 2012, with the option to extend for a period of up to an additional five years at the City's sole discretion, for an annual cost of \$9,534,904.00 excluding:

1. Goods and Service Tax (payable, then rebated);
2. Annual increases as per the Vancouver CPI;
3. Annual lump sum payment for the Contractor's direct fuel escalation based on the difference between annual averages for the Statistics Canada Industry Price Index – Petroleum and Coal Products (for Diesel fuel in BC) with the 2008 annual average being the base year;
4. Ongoing increases to Surrey's customer base; and
5. Annual guaranteed minimum recyclables commodity revenue of \$1,000,000.00 (paid to the City) for the term of the Contract.

Evaluation Committee Members:

Gerry McKinnon,
Operations Manager

Rob Costanzo,
Deputy Manager, Operations

Jonathan Huggett, P. Eng.
Principal, Jonathan Huggett Co.