
HALDIMAND COUNTY

Report ENV-04-2023 Curbside Collection Bid Results

For Consideration by Council in Committee on May 23, 2023



OBJECTIVE:

To seek approval for the award of RFP ENV-01-2023 – Curbside Services of Garbage and the Collection and Processing of Leaf and Yard Waste.

RECOMMENDATIONS:

1. THAT Report ENV-04-2023 Curbside Collection Bid Results be received;
2. AND THAT Memorandum ENV-M01-2023 Addendum to Report ENV-04-2023 Curbside Collection Bid Results be received and remain confidential;
3. AND THAT staff be directed to conduct a service delivery review of the Solid Waste program to identify best practices and potential initiatives that would assist in offsetting costs of the curbside collection contract;
4. AND THAT staff bring back the results of this review, along with applicable recommendations, prior to the 2024 Tax Supported Operating Budget for Council's consideration;
5. AND THAT RFP ENV-04-2023 Curbside Services of Garbage and the Collection and Processing of Leaf and Yard Waste be awarded to Norfolk Disposal.

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Respectfully submitted: Philip Mete, P. Eng., General Manager of Public Works Operations

Approved: Cathy Case, Acting Chief Administrative Officer

EXECUTIVE SUMMARY:

Request for Proposal ENV-01-2023 Collection Services of Garbage and the Collection and Processing of Leaf and Yard Waste Materials closed over the approved annual operating budget of \$1,674,920 and will have an impact on future annual operating budgets.

An evaluation of the bids was completed by a staff committee, of which a recommended bidder was determined per the legal duties and obligations required of the County in conducting a Request for Proposal (RFP) process. Staff have a historical satisfactory experience with the recommended bidder and noted positive references within their proposal. Based upon this, staff anticipate the provision of services to be provided by the recommended bidder will be in compliance with the Council-approved program deliverables. The RFP is for a seven-year term with the option of three single-year extensions and therefore requires Council approval for a budget revision to be included in the 2024 Tax Operating Budget.

Recognizing that although the cost of this contract will have a significant impact on the taxpayer in future budget years, garbage collection is a critical municipal service, staff are seeking Council approval

to award the contract. Additionally, staff are committed to completing a service delivery review of the Solid Waste program as a whole, in order to determine best practices; and identify potential initiatives in offsetting this cost.

BACKGROUND:

Haldimand County acquires contracted services for the curbside garbage collection for residential and industrial/commercial/institutional (ICI) properties and the leaf and yard waste curbside collection for urban residential properties. The contracted service also includes the processing of the collected leaf and yard waste into compost and a bin collection service at Canborough Waste Management Facility which is a free year-round residential drop-off. The ICI customers can drop off leaf and yard waste, with the applicable tonnage fee. Leaf and Yard Waste Collection and Processing was historically a separate contract but was consolidated into this RFP in order to seek cost and time efficiencies for both the contractor and staff. This RFP included the same Council-approved level of service as the existing two Contracts for curbside collection of garbage, leaf and yard waste.

Following this process, Request for Proposal ENV-01-2023 Collection Services of Garbage and the Collection and Processing of Leaf and Yard Waste Materials was issued on February 3, 2023, and closed on March 21, 2023. Bids were received from Modern Landfill, Norfolk Disposal, and Halton Recycling (Emterra). All three bids were compliant with the requirements at the time of closing, allowing submissions to move to the evaluation stage and be scored by an evaluation committee utilizing the criteria as outlined in the contractually binding RFP. Following the evaluation process, the recommended bidder (bidder with the lowest price per point representing the greatest value) is Norfolk Disposal and additional information is provided in closed session memo ENV-M01-2023. The information provided to Council in the closed session memo relates to confidential information in the blackout period of the RFP per procurement requirements. Although Norfolk Disposal's bid is the lowest price per point bid, it was drastically over budget and will have a significant impact on the 2024 tax levy and beyond, considering it is a multi-year contract. Staff have exhausted all avenues to directly reduce the cost of the contract within the County's contractual obligations, but there is little room to move on a service that is not optional for the municipality.

As noted in the Financial/Legal Implications section of this report, this contract is scheduled to begin in September 2023 and will exceed the remaining portion of the approved operating budget. In addition, as this remainder of the contract term results in a significant impact on future year operating budgets, staff are seeking Council approval through a recommendation to award the contract to Norfolk Disposal.

ANALYSIS:

The 2023 Council Approved Tax Operating budget for the collection of both curbside garbage and leaf and yard waste is \$1,674,920 (including non-rebatable HST). The recommended bidder's submission, which provides the same Council-approved level of service for the collection of garbage and leaf and yard waste to the residents as the previous contract, came in at \$3,131,600 (including non-rebatable HST), which is a significant increase over the current approved 2023 Tax Operating Budget. This is the annual cost of the contract, however, the term of the contract is seven years, with the option to renew for three further one-year extensions. Staff have reviewed the proposal and have identified potential measures to mitigate the increases, which have been outlined in the Financial Implications area of the report.

Although the 2023 budget for curbside collection was increased in anticipation of pricing increases across the industry, this degree of increase was unexpected. Staff have thoroughly reviewed the submitted bids, attempted negotiations with the recommended bidder to see if any savings were

available within the scope of the contract, and consulted with municipal networks to determine the impacts others are seeing in the market. It should be noted that there was a significant difference in bids in the previous RFP awarded to Modern in 2015, with the successful bidder being substantially lower than all others. The other submitted bids were \$507k/annum and \$678k/annum higher, respectively. This likely contributes to the degree of increase the County is experiencing, in addition to other key drivers. There are numerous factors contributing to the high-cost increases in the current RFP, including but not limited to:

- The overall scope of the deliverables (garbage and leaf and yard waste only) is significantly reduced in comparison to the previous contracts (garbage and leaf and yard waste and recycling), thus a lower available economy of scale;
- significant increases in the price of fuel;
- significant increases in insurance costs;
- significant increases in labour costs affecting staff in the field, administrative staff, and management due to inflationary pressures and labour shortages;
- significant increases in the cost of parts, new and used vehicles and equipment;
- significant reductions and/or the elimination of dealer incentives on fleet purchases for new vehicles;
- supply chain issues affecting the availability and costs of vehicle parts and supplies along with extended delays of deliveries of new vehicles and equipment. These delays have resulted in the need to retain older fleet units awaiting replacement, which has significantly increased the maintenance costs of the units;
- additional upfront costs to secure purchases of vehicles and equipment as well as higher borrowing rates to purchase replacement vehicles and equipment;
- the uncertainty with manufacturer production timelines, unexpected cancellations of new truck and equipment orders, and upcharges for vehicles and equipment;
- there are limited vendors providing curbside collection services; and
- more competition across the province with producer-led recycling may be causing potential bidders to seek other contracts resulting in less competition for smaller contracts.

In an attempt to mitigate these increased anticipated costs, the RFP included the following provisions:

- allowed for the use of used (up to 10 years old) garbage curbside collection vehicles versus requiring all new vehicles;
- allowed for the use of used (any age) leaf and yard waste and bulky curbside collection vehicles versus requiring some or all new vehicles;
- maintained the industry standard of a seven-year term plus three single-year extensions to allow contractors more stability, allowing a greater return on investment for anticipated lifecycle costing and for staff retention;
- a combined contract for both curbside garbage collection and leaf and yard waste, provides not only staff efficiencies in contract management but also reduces the contract administrative costs when combined into one contract for the vendor; and
- maintained Consumer Price Indexing (CPI), stop count and quarterly fuel adjustments to reduce uncertainty in bids received.

Staff reached out to neighbouring municipalities and no RFPs for comparable deliverables have closed in 2023. There are several that have issued RFPs, not quite as comparable, and are also seeing

significant increases related to the same drivers as outlined above. Staff did receive confirmation that neighbouring municipalities are currently in negotiation with their contractors and are seeking significant increases; however as their negotiations are ongoing, no further information could be provided publicly at this time. The most recent data staff were able to obtain was Niagara Region's garbage collection RFP (that closed in November 2019 pre-Covid and commenced in October 2020) where the successful bidder came in 37% over budget.

Staff are recommending that Council approve the award of the RFP which will include a contract for seven years, and the associated adjustments related to CPI, stop counts, and fuel.

FINANCIAL/LEGAL IMPLICATIONS:

2023 Impacts

The 2023 Tax Supported Operating Budget included an estimate related to the increase in costs for these services as a result of inflationary pressures. An increase of 5% was included for the months up to the end of the current contract. An additional 30% increase was applied to the remaining 11 weeks of the year, to accommodate the new contract, based on current market trends at the time of budget development.

As the current curbside collection and leaf and yard waste contracts end in the fall of 2023, there will be a negative variance of approximately \$170,000 in 2023 as the new contract begins in the latter part of the year. Corporately, the annual surplus or deficit for the tax-supported budget is contributed to or funded from the Contingency Reserve so there will not be a direct levy impact in 2023.

2024 Impacts

The estimated increase to the 2024 levy as a result of this RFP is outlined below:

	2024 Base Budget	Contract Increase	Total 2024 Budget	% Increase
Curbside Collection	\$1,530,120	\$1,426,410	\$2,956,530	93%
Leaf and Yard Waste	\$144,800	\$30,270	\$175,070	21%
Total	\$1,674,920	\$1,456,680	\$3,131,600	87%

The increase noted above will have an estimated 1.8% levy impact on the 2024 budget. As noted in report FIN-04-2023 Budget Guidelines for Council Term 2022-2026, Council approved an overall average residential tax increase of approximately 3% over the current term of Council. At the time this target was established, the approved 2023 Tax Supported Budget slightly exceeded the 3% target. When projecting the average increase over the term of Council, staff reviewed a number of pressure points, including the impacts of inflation, supply chain issues and wage increases. Council also directed staff to revisit these impacts mid-way through the Term of Council given the current uncertainty of these drivers.

The realized increase on this contract far exceeds that which was projected in this analysis. The levy impacts of this contract in 2024 will be evaluated corporately to determine the overall impact on the Tax Supported Operating Budget.

In FIN-04-2023, staff committed to reviewing how the projections fared compared to the actual outcomes. Staff will continue to monitor the accuracy of the 3% target and will come back to Council with an update mid-term with an adjustment to the projects for the remaining term of Council if required.

Mitigation Measures

Staff realize that the results of this proposal have a large impact on the taxpayer. As such, staff are committed to a service delivery review of the Solid Waste program as a whole (including the curbside collection program, Canborough transfer station, etc.) in order to determine best practices and identify potential initiatives that would assist in offsetting this large increase.

Items to be included in this review may include (but are not limited to):

- Curbside collection alternatives
 - o reduced frequency of collection
 - o decrease set-out limits
 - o bag tags (fee-based)
 - o bulky pick-up user fee
 - o leaf and yard waste tipping fees at Canborough
 - o contractor cost-saving initiatives
 - o post collection hauling alternatives
- Impacts of the blue box transition

Staff will bring back the results of this analysis for Council's consideration prior to the 2024 Tax Supported Operating Budget deliberations.

Request for Proposal (RFP)

The RFP process is subjected to a legal duty of fairness to all compliant bidders – meaning that there is a duty to conduct a fair competition, provide proper disclosure to the bidders, reject non-compliant bidders and award the contract as issued, all of which is required by legislation and benchmarked against case law.

To ensure compliance with the above:

- the RFP is posted publicly;
- any changes, corrections or new information is shared with all bidders equally through a posted addenda;
- all bids must be received by the specified closing date/time in order to proceed with the competition (cannot accept late bids);
- all criteria to be evaluated must be included in the bid document – cannot evaluate any information that is not requested in the proposal;
- cannot consider past experience of a bidder unless this is a specified criterion within an RFP; and evaluation must solely be based upon the submission content; and
- a Blackout period exists from receipt of the bids until awarded to avoid collusion, conflict or perceived conflicts and to prevent lobbying of staff and/or elected officials.

Other Potential Impacts on the 2024 Solid Waste Budget: Blue Box Transition

In February 2023 a presentation was made to Council outlining the potential impacts of moving the responsibility for recyclables to producers. It was noted at that time there would be a positive impact on the levy as a result of this transition. The most current analysis for the transition of this service shows a levy reduction of approximately \$700,000, or 0.8%. It should be noted that this estimated reduction in the levy is an overall Corporate reduction to offset other anticipated drivers in 2024, and is not tied

to the curbside collection costs. Although this impact will be reflected in the 2024 Draft Tax Supported operating budget, it does not include any possible unintended results of this transition, as noted during the presentation, such as increases in solid waste tonnage due to reduced recycling efforts; illegal dumping and roadside clean-up; increased administration; and costs associated with a municipally supported recycling program for ICI (non-eligible) properties (if directed by Council). It is important to note that these Blue Box Transition estimates are preliminary, and are subject to change as the implementation plan evolves.

STAKEHOLDER IMPACTS:

Not applicable.

REPORT IMPACTS:

Agreement: No

By-law: No

Budget Amendment: No

Policy: No

REFERENCES:

None.

ATTACHMENTS:

None.