Agenda – Executive Policy Committee – September 17, 2014

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – September 9, 2014

Item No. 7 Changes In Work for the Processing and Marketing of Recyclables Contract

STANDING COMMITTEE RECOMMENDATION:

On September 9, 2014, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That the Changes in Work set out in this report related to the Specifications and measurement of payment provisions to the Processing and Marketing portion of the Contract for Tender No. 162-2002, be approved for an average annual increase in payment to the Contractor in the estimated amount of $3,554,000, GST extra, as applicable commencing 2013.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda – Executive Policy Committee – September 17, 2014

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – September 9, 2014

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On September 9, 2014, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: **CHANGES IN WORK FOR THE PROCESSING AND MARKETING OF RECYCLABLES CONTRACT – TENDER NO. 162-2002**

Critical Path: **The Standing Policy Committee on Infrastructure Renewal and Public Works – Executive Policy Committee – Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
D. Drohomerski, C. E. T. Manager of Solid Waste Services	D. P. Sacher, P. Eng. Director, Water and Waste Department	M. Ruta	M. Jack A/CAO

RECOMMENDATIONS

1. That the Changes in Work set out in this report related to the Specifications and measurement of payment provisions to the Processing and Marketing portion of the Contract for Tender No. 162-2002, be approved for an average annual increase in payment to the Contractor in the estimated amount of $3,554,000, GST extra, as applicable commencing 2013.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

The Changes in Work for this contract must be authorized by Council in accordance with Section B8.2.3 of the City of Winnipeg Materials Management Policy, which states that the appropriate Standing Committee shall forward a recommendation to Council including where appropriate, a recommendation for funding the difference between the budgetary provision and the monetary consideration to be paid by the City pursuant to the proposed contract.

Council as the original award authority for Tender No. 162-2002, may approve the amendments to the Contract resulting from the Changes in Work.

IMPLICATIONS OF THE RECOMMENDATIONS

The recommendations involve a multi-year contract. The period for this contract is September 15, 2003 to September 15, 2017.

The Changes in Work will affect the period of the Contract commencing in 2013.

HISTORY

On September 26, 2002, following a public tender call, a contract pursuant to Tender No. 162-2002 was awarded by Council to International Paper Industries Ltd., to provide annual collection, processing and marketing of recyclables from the City of Winnipeg Recycling Programs. International Paper Industries Ltd. is now known as Halton Recycling Ltd. dba Emterra Environmental. The Collection portion of the contract has expired. However, the duration of the Processing and Marketing portion of the contract was 14 years and will expire on September 15, 2017. As part of this contract, the Contractor was to construct a new Material Recovery Facility that would facilitate the processing of an estimated 30,550 metric tonnes annually, until the end of the contract in 2017. The Material Recovery Facility is located at 1029 Henry Avenue and was designed to meet the quantities and material quality outlined in the tender specification.

The General Conditions of Tender No. 162-2002, specifically Clause GC4.04 Changes in the Work: City, and Clause GC4.06 Valuation and Certification of Extra Work, allow for the addition of extra work and the determination of the value of the extra work.

Tender No. 162-2002 provided an estimate of 30,550 tonnes per year of recyclables to be processed and marketed. By 2011, the volume of recycling material entering the Material Recovery Facility (MRF) was 50% above the original tender amount. To add to this, the introduction of recycling cart collection in 2012 produced a single year growth in program volume of over 17%. In 2013, the Contractor received approximately 53,600 metric tonnes of recyclables for processing.

This volume, plus the expected future increases, exceeded the MRF's existing capacity to process material effectively and efficiently. This impacted the quality of the sorted recyclables, which, in turn, impacted the amount of revenue that the City received for selling the material. It also had a negative impact on the funding the City was receiving from Multi-Material Stewardship Manitoba (MMSM), an industry-funded, non-profit organization, which supports municipal recycling programs by providing funding to municipalities that operate efficient programs.

The Contractor proceeded with the MRF upgrade, which was completed in January 2013, in response to the increased tonnages. The upgrades include an expanded tipping floor, expanded sort lines with additional equipment, more manual sorting stations and the installation of state-of-the-art optical sorting machines. These changes allow the sorting operation to process all incoming recyclables at an efficient level that will ensure a high volume of marketable material for the duration of the contract, which will, in turn, increase revenues from recycling sales and from MMSM.

The Public Service is recommending Changes in Work to Tender No. 162-2002 to provide compensation to the Contractor through an increase in the per tonne rate paid to process the recyclable material, with variable rates based on the annual volume of incoming material. The increase in the City's recycling processing costs is expected to be an estimated average of $3,554,000, GST extra (as applicable), annually, commencing 2013, until the current end date of September 15, 2017.

The above changes to Tender No. 162-2002, will allow the recycling/diversion program to optimize the amount of materials sorted and sold to end markets, and ensure the highest level of funding from MMSM; all which will ensure the recycling/diversion program's sustainability until 2017.

FINANCIAL IMPACT

Financial Impact Statement

Date: September 4, 2014

Project Name:

First Year of Program 2013

CHANGES IN WORK FOR THE PROCESSING AND MARKETING OF RECYCLABLES CONTRACT

	2013	2014	2015	2016	2017
Capital					
Capital Expenditures Required					
Less: Existing Budgeted Costs					
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants (Enter Description Here)					
Reserves, Equity, Surplus					
Other - Enter Description Here					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 3,268,502	$ 3,400,126	$ 3,539,573	$ 3,719,411	$ 3,842,684
Less: Incremental Revenue/Recovery	-	-	-	-	
Net Cost/(Benefit)	$ 3,268,502	$ 3,400,126	$ 3,539,573	$ 3,719,411	$ 3,842,684
Less: Existing Budget Amounts	3,268,502	3,400,126	3,539,573	3,719,411	3,842,684
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

This increased operating cost as a result of the Material Recycling Facility expansion is included in the Council approved 2013 and 2014 operating budgets and future operating budget forecasts. The financial impact statement does not include an increase in revenues as a result of increased recycling volumes and costs.

"Original Signed by M. Geer, CA"

Moira L. Geer, CA
Manager of Finance & Administration

CONSULTATION

In preparing this report there was consultation with:

Legal Services Department (as to legal issues)
Corporate Finance, Materials Management Division

SUBMITTED BY

Water and Waste Department
Solid Waste Services Division
Prepared by: Darryl Drohomerski
Date: September 4, 2014
File No. G-119