Agenda - Executive Policy Committee - June 16, 2004

Report - Standing Policy Committee on Public Works - June 8, 2004

Item No. 2 Residential Solid Waste Collection Contract Extension
File WT-1

STANDING COMMITTEE RECOMMENDATION:

On June 8, 2004, the Standing Policy Committee on Public Works concurred in the administrative recommendation and submits the following to Council:

1. That the Residential Solid Waste Collection Contract PD 98-124 with Canadian Waste Services Inc. (now known as Waste Management of Canada Corporation), be extended from January 31, 2005 to January 31, 2006 at an estimated cost of $1,407,600.00 plus GST.

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

Agenda - Executive Policy Committee - June 16, 2004

Report - Standing Policy Committee on Public Works - June 8, 2004

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On June 8, 2004, the Standing Policy Committee on Public Works concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

RE: RESIDENTIAL SOLID WASTE COLLECTION CONTRACT EXTENSION

FOR SUBMISSION TO: Standing Policy Committee on Public Works

ORIGINAL REPORT SIGNED BY: B. MacBride, P.Eng., Director, Water & Waste

REPORT DATE: May 10, 2004

RECOMMENDATION(S): That the Residential Solid Waste Collection Contract PD 98-124 with Canadian Waste Services Inc. (now known as Waste Management of Canada Corporation), be extended from January 31, 2005 to January 31, 2006 at an estimated cost of $1,407,600 plus GST.

REPORT SUMMARY

KEY ISSUES: Involves a one-year extension of the residential solid waste collection contract in the northeast area of Winnipeg.

IMPLICATIONS OF THE RECOMMENDATION(S):

General Implications

	None
	For the organization overall and/or for other departments
	For the community and/or organizations external to the City of Winnipeg
X	Involves a multi-year contract

Comment(s): Involves the extension of an existing contract from six years to seven years.

Policy Implications

X	No
	Yes – Comment(s):

Environmental Implications

X	None
	Yes – Comment(s):

Human Resources Implications

X	No
	Yes – Comment(s):

Financial Implications

X	Within approved current and/or capital budget
	Current and/or capital budget adjustment required

Comment(s):

REPORT

REASON FOR THE REPORT:

Only Council may approve a multi-year agreement when there are insufficient funds in an approved budget.

HISTORY:

On September 29, 1998, a six-year contract was signed with Canadian Waste Services Inc. to provide solid waste collection services in the area east of the Red River for the period from February 1, 1999 to January 31, 2005.

On March 24, 2004, Council passed a motion directing Administration to report on a full cost recovery solid waste user pay system to be considered by Council for possible future implementation on a revenue neutral basis, that is, with a corresponding reduction in property taxes.

DISCUSSION:

The Water and Waste Department has five contracts for the provision of solid waste collection services. These contracts include all of the multifamily collection service and about 50% of the single-family collection service. The other 50% of the single-family locations are serviced with City forces.

Contract	**Type**	**Duration**
PD 98-124	*Single-family manual collection in the Northeast area.*	*February 1, 1999 to January 31, 2005*
PD 581-2000	Multi-family mechanical collection in the East area	February 1, 2001 to January 31, 2005
PD 498-2002	Multi-family mechanical collection in the South area	February 1, 2003 to January 31, 2008
406-2003	Multi-family mechanical collection in the Northwest area	February 1, 2004 to January 31, 2009
148-2003	Single-family manual collection in the Northwest area.	February 1, 2004 to January 31, 2010

The Water and Waste Department is recommending that contract PD 98-124 be extended for one year for the following reasons:

1. Potential conflict with a user-pay program

Council has directed Administration to report back on a possible user pay collection program for solid waste.

If contract PD 98-124 were not extended, the tender would have to be issued in June 2004 in order for the replacement contract to start in February 2005. Since the issue of user-pay service will not be resolved prior to this time, the scope of work contained in the tender document would reflect the current practices of waste collection. If a user-pay system is implemented sometime in 2005, and the contract does not reflect it, a reduction to the prices would have to be negotiated (rather than tendered) with the Contractor doing the work. It is doubtful that the City would realize the full cost savings for the reduction in the amount of waste being collected.

Conversely, if Council approves the extension of this contract, and a user-pay system is implemented sometime in 2005, the new tender document issued in June 2005 for service starting in February 2006 could reflect the user-pay system and the City would not have to negotiate a price with the Contractor and would realize the full cost savings through a competitive bid process of collecting less waste in a user-pay system.

The mechanical collection contract, which expires on January 31, 2005, is not subject to the same concerns for the implementation of a user-pay system as the single-family residential collection contract. The contracts for mechanical collection are based on the volume of the garbage container and the collection frequency and not the quantity of solid waste inside the container. Because of this, contract pricing would vary little regardless of when user pay is implemented.

2. Enhanced Competition

As outlined in the table above, the Solid Waste Services Division manages five collection contracts, all of which are multi-year works. Best practices indicate that in order to ensure competitive bidding, contracts should be six years in duration and have staggered start and end dates. The six-year duration provides potential contractors a better opportunity to recover the cost of capital assets such as trucks. As well, the staggered start allow for a shorter period of time for the unsuccessful bidders to wait until they have the opportunity to bid again. The implementation of these best practices will ensure that the City of Winnipeg receives competitive pricing for the work.

Currently two of the five contracts end on the same date. If Council approves this recommendation, all five contracts will have staggered start and end dates.

Preliminary discussions have take place with the Contractor for PD 98-124 and Canadian Waste Services (CWS) has indicated they are in agreement to an extension with the following modifications:

- The cost of collection for the additional year will be based on 2004 prices plus an inflationary increase consistent with the existing contract.
- The city will add a service standards clause similar to other current contracts that rewards or penalizes the contractor depending upon daily performance in terms of service deficiencies.
- The Department will require the contractor to provide a copy of its written Workplace Safety and Health program pursuant to 7.4 of The Workplace Safety and Health Act.

The Department is satisfied that Canadian Waste Services Inc. has successfully been performing this work since 1999 and has demonstrated that they have the necessary skills and resources to perform the work during this contract extension.

For information purposes only; Canadian Waste Services Inc. has amalgamated with Carter's Waste Disposal Ltd. and now operates under the name Waste Management of Canada Corporation.

FINANCIAL IMPACT:

The following financial impact statement for this project has been prepared in accordance with the recommendation adopted by Council on December 13, 2000.

Project Name: **First Year of Program** **2005**

Residential Solid Waste Collection Contract Extension

	2005	2006	2007	2008	2009
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	$ 1,329,009	$ 120,819	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 1,329,009	$ 120,819	$ -	$ -	$ -
Less: Existing Budget Amounts	1,329,009	120,819	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: The garbage collection contracts are funded through the current estimates. The 2005 and 2006 current estimates have been approved in principle by Council.

Moira L. Geer C.A.
Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

- Corporate Services Department, Legal Services Division
- Corporate Finance Department, Materials Management Branch

THIS REPORT SUBMITTED BY:

Department Water & Waste
Division Solid Waste Services
Prepared by: Darryl E. Drohomerski, C.E.T.
File No. 011-15-09-04-00