October 19, 2006

Halton Recycling Ltd.
1122 Pioneer Road
Burlington, Ontario
L7M 1K4

To: Mayor and Members of City of Hamilton Council

Re: Request to Defer Unsolicited Proposal from Canada Fibers Limited Issue

It has come to our attention that the following item was added to the recent meeting of the Public Works, Infrastructure and Environment Committee held on October 16, 2006:

Item 2 (a): "Added staff recommendation respecting an unsolicited proposal from Canada Fibers Limited. Staff will be making a presentation and this will be added as Item 7.2. (Copy attached)."

The attached staff report dated September 28, 2006 and titled "Recycling Program Update (PW06064b) (City Wide)" and agenda of the October 16th, 2006 meeting clearly reflect that there had already been much careful consideration and planning regarding the design, construction and operation of a new Material Recycling Facility at 1579 Burlington Street East. The fact that this report, which was to be originally considered as Item 5.6 under the Consent section of the aforementioned October 16, 2006 meeting, further shows the strength of the City of Hamilton’s intention to proceed in a carefully determined course of action. However, the submission of an unsolicited proposal for a single stream processing system from Canada Fibers Limited that is requested to be reviewed with a very short time frame jeopardizes previous efforts and the City’s strategic goals.

Given the fact that The City of Hamilton has always indicated it is very serious about ensuring a cost-effective “state-of-the-art” facility be constructed for the City’s future needs, this sudden action essentially circumvents the City’s ability to examine a host of new options in the marketplace. It was clearly identified in the aforementioned staff that a number of RFPs & Tenders will be issued to provide pricing on recycling collection services which would include item 3) which states "Materials Recycling Facility (MRF)
for the design, installation and operation of single stream recycling processing
equipment at 1579 Burlington Street East in the existing Material Recycling Facility
(MRF) for a period of fifteen (15) years” on page 3 of the report.

This proposed process of suddenly submitting this unsolicited proposal and staff’s timing
of the submission seems very rushed, especially at a time when one would expect a new
Council would not have the opportunity to adequately discuss the process of how best to
proceed with determining the best evaluation process for future processing facilities.

Furthermore, this process places considerable risk upon the City, considering this
proposal could commit the City to a 15 year commitment at a cost of $50-80 million.

It is also felt that such a review of this type of proposal at such an early period in the
process may create additional complications in the open process of other
considerations and submissions.

In order to permit further delegations to Council, we are requesting that members of
Council consider rejecting or at the least, indefinitely deferring, this matter, which will be
before you at the meeting of October 25th, 2006. We further request that staff be directed
to issue either a request for “Letters for Expressions of Interest” for response from other
firms or prepare and issue a proper “Request for Proposals for a Material Recycling
Facility for Single Stream Processing”.

Yours truly,
Halton Recycling Ltd.

Richard Denyes
General Manager
Council Direction:

On August 9, 2006, Council approved Report PW06064a/FCS06080 which recommended that the recycling collection contract with Halton Recycling Limited (HRL) be ended on March 29, 2008. As a result of the decision, steps must be taken to ensure recycling collection services are in place for April 2008.

Options for recycling collection are being explored and an overview of the options being considered was provided in Appendix A of Report PW06064a/FCS06080. The report indicated that staff would report back on a preferred option in September 2006, however, staff will now be issuing Requests for Proposals (RFPs) and Tenders to obtain firm pricing for the various options that are being considered.

The intent is to incorporate pricing from the RFP and Tenders into the review to provide actual costs estimates and to report to the new Council in early 2007 (March/April). Direction is needed approximately one (1) year in advance of the implementation of the collection service due to the long lead time required to obtain collection trucks. It will be imperative that a decision be made so that uninterrupted recycling collection service can be delivered in March of 2008.

Information:

The provision of recycling collection services can be delivered in a number of ways including public services, contracted services or a combination. With the decision to end the contract with HRL, the status quo is no longer an option and will only be used to establish baseline costs during the cost evaluation.

Options being investigated include:

1) 100% Public Collection Service
2) 50/50 Public/Contracted Service
3) 100% Contracted Service
4) 100% Contracted Service for Automated Recycling Cart Service
A preliminary investigation of contracted service with City-owned vehicles was also undertaken, however, this alternative presents significant risk to the City and has been abandoned. The risk relates to the City's responsibility for maintenance of collection vehicles with no incentive to the contractor to maintain them. In addition, there is the risk of buying too few collection vehicles and having the contractor blame the City or buying too many vehicles. Many years ago this option was feasible as there were capital grants from the Province to pay for vehicles. These are no longer available and in the research of the alternatives staff found no present day examples of this service delivery arrangement.

The provision of the recycling program beyond March of 2008 is also affected by decisions around four (4) day collection and single stream processing of recyclable materials.

- Four (4) Day Waste Collection - Moving from a five (5) day to four (4) day waste collection system has impacts on all components of the City's Waste Management System, as outlined in Report PW06033a. Implementation of any changes to the collection days is recommended to coincide with changes to the recycling collection program to take advantage of any potential cost savings at the outset of the changes. The RFPs and Tenders being issued will include options for both five (5) and four (4) day collection weeks.

- Single Stream Recycling - The RFPs and Tenders being issued will request pricing for the collection of both two (2) stream (the current system, with collection of fibers and containers in two [2] separate streams) and in a single stream, where all recyclables are collected together. Pricing to convert the Materials Recycling Facility (MRF) to single stream processing will also be obtained through a RFP.

To address the options involving contracted services, RFPs or Tenders are being prepared to seek bids from the private sector. For the collection options relating to in-house collection, internal cost estimates will be utilized for labour and equipment costs and a tender issued for the purchase of recycling collection vehicles. This same process was utilized for the costing for the organics, garbage, Leaf & Yard waste and bulk collection system that was implemented with the introduction of the Green Cart Program. Should a 50/50 split model also be implemented for recycling, the same assignment of zones would be extended, i.e. A Zones collected by public forces and B Zones collected by contracted forces.

The following RFPs & Tenders will be issued to provide pricing on recycling collection services:

1) Recycling Collection RFP with the following options:
   - Recycling collection services in the B zones (50% contracted) for four (4) day and five (5) day collection and for two (2) stream and single stream collection for a period of five (5) years, with optional annual extensions for up to two (2) additional years.
   - Recycling collection services for the entire City (100% contracted) for four (4) day and five (5) day collection and for two (2) stream and single stream collection for a period of five (5) years, with optional annual extensions for up to two (2) additional years.
Recycling Program Update (PW06064b) - (City Wide) - Page 3 of 4

- Recycling collection services for the entire City for the automated recycling cart collection for a period of five (5) years, with optional annual extensions for up to two (2) additional years.

2) Truck Tender - Tender for the purchase of trucks required for the City to service either the A zones or the entire City for four (4) day and five (5) day collection and for two (2) stream and single stream collection.

3) Materials Recycling Facility RFP for the design, installation and operation of single stream recycling processing equipment at 1579 Burlington Street East in the existing Materials Recycling Facility (MRF) for a period of fifteen (15) years.

4) White Goods RFP for the collection of white goods across the City for four (4) day and five (5) day collection.

5) Weigh scale operations Tender for four (4) day and five (5) day collection.

The results of the RFPs and Tenders along with the internal costing for the in-house options and any communication requirements will be analyzed and presented to Committee and Council in early 2007.

Timelines

Considerable preparation is required to ensure that recycling collection services continue to be provided in March 2008. The major activities and timelines for the implementation of the new recycling services and 4 day waste collection are outlined in Table 1.

<table>
<thead>
<tr>
<th>TABLE 1 - RECYCLING PROGRAM IMPLEMENTATION TIMELINES</th>
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<tbody>
<tr>
<td>ACTIVITY</td>
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<tr>
<td>Approval to cost four (4) Day Waste Collection Service for implementation in 2008 (PW06033a)</td>
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<tr>
<td>RFPs/Tenders Close</td>
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<td>Evaluate RFPs/Tenders</td>
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<td>Award of Tenders/RFPs for Recycling Services for 2008</td>
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<td>Conclusion of HRL Contract</td>
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<td>New Recycling Service Start Date</td>
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<tr>
<td>Potential Implementation of Four (4) Day Collection</td>
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Context

The recycling program is a key component of the City’s integrated solid waste management system. In order to achieve 65% diversion from landfill, approximately one third of the waste must be recycled through this program. Appendix 'A' outlines all of the components of the integrated waste management system and the timing for each aspect in order to ensure continued service in accordance with the Council Approved Solid Waste Management Master Plan.
Conclusion

Staff will be reporting back to the Public Works, Infrastructure and Environment Committee in March 2007 with recommendations on awarding of the contracts to provide the recycling collection and processing services, trucks, white goods collection and scale house operations to ensure recycling collection services are in place for March 31, 2008 following the conclusion of the HRL Contract. It will be imperative that decisions are made to allow for the uninterrupted delivery of the recycling program.

Scott Stewart, C.E.T.
General Manager
Public Works Department
# CITY OF HAMILTON - INTEGRATED SOLID WASTE MANAGEMENT SYSTEM

<table>
<thead>
<tr>
<th>SERVICE</th>
<th>SERVICE PROVIDER</th>
<th>START DATE</th>
<th>END DATE</th>
<th>EXTENSIONS</th>
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<td><strong>WASTE COLLECTION</strong></td>
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<td>Curbside Organics &amp; Garbage Collection (weekly co-collection)</td>
<td>50% in-house</td>
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<td>Curbside Bulk and Leaf &amp; Yard Waste Collection</td>
<td>50% in House</td>
<td>Apr. 2006</td>
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<td>SERVICE</td>
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<td><strong>PROCESSING OPERATIONS</strong></td>
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<td>Community Recycling Centre Operations - Reuse</td>
<td>Community Living Hamilton (Contract No. C11-83-05)</td>
<td>Sept. 18, 2005</td>
<td>Sept. 18, 2008</td>
<td>2 x 1 year</td>
<td>5 years</td>
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<td>plus 2, 1 year extensions</td>
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<td><strong>DISPOSAL</strong></td>
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City of Hamilton

Monday, October 16, 2006

9:30 a.m.

Council Chambers
2nd Floor, Hamilton City Hall
71 Main Street West
Hamilton, Ontario

Ida Bedioui
Legislative Assistant

Please note: All cellular telephones, pagers, and blackberries to be switched to a non-audible function during Council and Committee meetings.

Agenda available on-line at www.hamilton.ca
(click on "Minutes & Agendas")

1. CHANGES TO THE AGENDA

1. Mr. Joe Stanicak, Item 6.1 on the agenda has withdrawn his delegation request as he will be re-submitting a new application for his outdoor patio.

2. (a) Added staff recommendation respecting an unsolicited proposal from Canada Fibers Limited. Staff will be making a presentation and this will be added as item 7.2.
(Copy attached)

(b) As Item 5.6 listed under the Consent section respecting a Recycling Program Update is related to this issue, it will be lifted from the Consent section and considered with the aforementioned item under Staff Presentations.

2. DECLARATIONS OF INTEREST

3. APPROVAL OF MINUTES

3.1 Minutes of the October 2, 2006 meeting.

4. DELEGATION REQUESTS

None

5. CONSENT ITEMS

10/19/2006 9:34 AM