SUBJECT: Transfer Station and Disposal Operations Review - Request for Proposals, Internal Costing Process and RFP Evaluation Process (PW08002/FCS08032) - (City Wide)

RECOMMENDATION:
That staff proceed with internal costing for the operation of the Glanbrook Landfill Site and Leaf and Yard Waste Composting Facility in parallel with the Request for Proposals process.
The City of Hamilton (City) currently contracts out the operations of the Transfer Stations/Community Recycling Centres (CRCs), the Glanbrook Landfill and the Leaf and Yard Waste Composting Facility. These related contracts will expire on December 31, 2009 and the City is currently working towards the issuance of a Request for Proposal (RFP) for these operations. The pending end of these contracts has provided the City with an opportunity to undertake a comprehensive review of the operation of the landfill, leaf and yard waste composting facility, transfer stations, community recycling centres, reuse store and waste haulage activities. A review has been completed to examine best practices for these operations with a view to improving efficiency and cost-effectiveness.

The review concluded that it is not feasible to proceed with in-house costing of the transfer station, community recycling centre and haulage portion of the work due to the large capital costs involved, the large staffing requirement involved and the fact that the City is not in the business of truck haulage.

The review determined that internal costing of the Landfill and Leaf and Yard Waste Composting Facility portion of operations is feasible. Operation of the Landfill with City forces would allow the City direct control of landfill space consumption, and would not involve significant staffing requirements. Based on preliminary capital cost and staffing estimates it is anticipated that the internal costing for operation of the Landfill and Leaf and Yard Waste Composting Facility could identify a cost-competitive option for the City. Internal costing of this component of the work will be done in parallel with the RFP process and follow the same technical specifications as will be required of proponents. The internal costing has to follow the same timeframes as the RFP. Internal costing requires that the in-house team obtain pricing for certain components of the work.

The RFP process will be based on a two (2) envelope evaluation where the technical proposals will be evaluated and those achieving the required score will proceed to the opening of the financial proposal. The successful proponent will be the one with the lowest price.

The information contained within this report has City wide implications.

The current contracts for the operation of the Glanbrook Landfill, Leaf and Yard Waste Composting Facility, the three (3) Transfer Stations, the three (3) Community Recycling Centres and the haulage of waste materials from Transfer Stations will end in December 2009.

In September of 2007, Waste Management staff began working on a Transfer Station and Disposal Operations Review. This review was implemented to examine best practices in the industry and to determine a preferred approach for the operation of the Transfer Stations/Community Recycling Centres (CRCs) including haulage and the Glanbrook Landfill and Leaf and Yard Waste Composting Facility.
Staff reported to Public Works Committee (PW08015) (February 4, 2008 Public Works Committee) on the review and a recommendation was approved directing staff to continue with the review of best practices and the preparation of an RFP as part of the Transfer and Disposal Operations Review. The review has continued as outlined in the above noted report.

A review of best practices of other municipal transfer station, community recycling centre, landfill and leaf and yard waste operations was completed as follows:

- Community Recycling Centres and Transfer Stations - operations in fourteen (14) municipalities were reviewed (Durham, Essex-Windsor, Haldimand, Halton, Kingston, London, Norfolk, Ottawa, Oxford County, Peel, Simcoe County, Toronto, Waterloo and York)
- Landfill and Leaf and Yard Waste Operations - operations in ten (10) municipalities were reviewed (Brant, Brantford, Cornwall, Essex-Windsor, Halton, London, Northumberland County, Niagara Region, Ottawa and Waterloo)

This review provided important information on best practices in transfer and disposal operations across the province. Incorporating the review of best practices into the RFP process provides opportunities to increase efficiency and cost-effectiveness.

**ANALYSIS/RATIONALE:**

The best practices review for transfer and disposal operations that was completed provides valuable information that will assist in the development of the Request for Proposals and resulted in a recommendation to focus the internal costing for in-house operations on the Landfill and Leaf and Yard Waste Composting operations. This section outlines the results of the best practices review and rationale for not pursuing internal costing of the Transfer Stations/CRC operations at this time.

**Community Recycling Centre and Transfer Station Best Practices**

On examination of best practices in the operation of Transfer Stations and CRCs it was found that while most municipalities have a Transfer Station and/or CRC, there is a mixed approach in how they are managed. Fourteen (14) municipalities were surveyed and a range of practices were found to suit local needs and waste management system designs. Some municipalities contract out the operation of the Transfer Station/CRC and some municipalities operate them in-house. The research indicated that municipalities were willing to contract out the operation of these sites as long as the municipality was able to include sufficient controls within the contract that would allow for appropriate municipal control and oversight, together with the flexibility to make appropriate adjustments during the life of the contract.

However, while there is a mixed response on managing the operations between contracting out and in-house, the majority of municipalities contract out the transportation (haulage) portion of the work. This is done for a number of reasons, namely:

- Large capital costs involved
Haulage is not a core part of their work - municipalities are not in the transportation business.

The review determined that there is a best practice in contracting the Transfer Station/CRC operations and haulage to a single operator. There are issues with contracting out the haulage portion of the operation separately from the Transfer Station/CRC operations, namely:

- Occasionally there may be a lack of control over trailers
- Scheduling problems - trailers/bins may not be available when needed, or may arrive or be hauled away at times that interfere with normal operations
- Breakdown of equipment and ensuring there is adequate back-up
- Loading of trailers - there can be issues if there is a different contractor loading the trailers from the one doing the hauling (differing priorities)
- Communication between contractors that 'share' the use of the same facility

Based on the best practice review, it is not considered feasible to proceed with internal costing for the operation of the Transfer Station, CRC or haulage activities. Staff is recommending that this component of the work continue to be a contracted operation. The rationale for excluding these functions for potential in-house operation includes:

- The City has no haulage experience
- A large capital investment would need to be made
- Large staffing requirement
- Time limitations of staff to cost out
- Current contracted operation is performing well

Reuse Store Operators

The City’s experience with a non-profit operator on the Reuse Store has been positive from a diversion perspective, however, one of the objectives of the Review has been to integrate operations and reduce the number of contractors.

The Reuse Store operations will continue to be operated by a non-profit organization but integrated into the Community Recycling Centres/Transfer Station Operations. The successful proponent of the RFP process will be required to work with a non-profit organization based on the same requirements of the current operations. The current operator, Community Living Hamilton could also be retained.

The revised process will reduce the requirements for non-profit organizations responding to a formal RFP process. The City will have a more streamlined contract management process for the facility operations while still maintaining the community benefits of the non-profit operator.

Landfill Operations Best Practices

With regards to best practices in the operation of the Landfill, staff found that there are no best practices. Municipal experience ranges from fully contracting out these services to managing a portion of the operations in-house and contracting out the remainder. There were no examples for 100% in-house operations being run by a municipality. It
was also noted that with contracted operations that a single operator is not capable of providing all of the necessary services due to specialty and seasonal services. Many municipalities cited their need for tighter control over landfill operations, and consumption of landfill space as rationale for retaining at least a portion of the landfill operations in-house. Most municipalities were capable of retaining sufficient trained staff and equipment for at least a portion of the landfill operations, without significant implications to their operating and capital budgets.

**Leaf and Yard Waste Composting Facility Best Practices**

The best practice review of the Leaf and Yard Waste Composting operation showed that six (6) out of nine (9) municipalities contracted out these operations. Out of the remaining three (3) in-house operations, two (2) contracted out the grinding/shredding/screening part of the operation. Given that the City’s Leaf and Yard Waste Composting Facility is located at the landfill site, it is preferred that a single operator be responsible for both operations, with sub-contracting activities as required.

**In-House Costing**

Based on the best practices review, it is recommended that the internal costing be done for the operation of the Landfill and Leaf and Yard Waste Composting Facility only. The rationale for including these functions for potential in-house operation includes:

- Increased potential to efficiently manage the Glanbrook Landfill, and conserve landfill space
- Manageable capital investment
- Reasonable staffing requirement
- Sufficient time and resources to undertake internal costing exercise
- Potential to develop competitive pricing and/or greater understanding of capital and operating costs for this essential part of City waste systems operations

The internal costing has the same timeframes as the RFP as set out in Appendix B. Once the RFP is issued staff can begin to cost out the in-house portion of the RFP. It is recommended that the in-house costing be presented by the in-house team to the Purchasing Section in a sealed envelope prior to the close of the RFP. In order to get a true reflection of costs for the Landfill and Leaf and Yard Waste Composting Facility staff will need to cost out the following items and services:

- Landfill compactor(s)
- Track dozer
- Excavator
- Rubber tire backhoe
- Six (6) wheeled articulated truck
- Landfill based GPS System
- Various trucks (pick-ups, water truck)
- Alternative daily cover applicators
- Specialized equipment (fencing, pumps, storage tanks, air compressors, office equipment, etc.)
SUBJECT: Transfer Station and Disposal Operations Review - Request for Proposals and Internal Costing Process and RFP Evaluation Process (PW08002/FCS08032) - (City Wide) - Page 6 of 9

- Grinding, shredding, screening operations for Leaf and Yard Waste Composting
- Rodent, vector, vermin control
- Odour suppression equipment
- Staffing

Internal costing will be done in parallel with the RFP process and follow the same technical specifications as external bidders. For staff to fully cost out the option of in-house operations they need to be able to obtain guaranteed pricing for equipment and services that is needed for operations. The Purchasing Policy, Section 4.11 - Policy for Negotiations allows for the procurement of Goods or Services in narrowly defined circumstances that are not in accordance with the Purchasing Policy, Section 4.5 - Policy for Determining the Procurement Process. This process will be utilized to determine the in-house costs and to secure suppliers for the goods/services should Council approve in-house operations of the Landfill and Leaf and Yard Waste Composting Facility. Where required, Council’s approval will be sought for single source purchases that are valued at $250,000 or more. This approval will be requested in the event that in-house services are recommended and the approval request would be part of the report awarding the RFP.

The City’s Purchasing Policy requires staff to complete an RFP or Tender process for goods and services over $100,000 and a Request for Quote (RFQ) for goods/services greater than $50,000 but less than $100,000. Since a number of the goods and services required for the Landfill and Leaf and Yard Waste Composting Facility will be over this amount staff recommends using alternative costing approaches to obtain guaranteed pricing.

With regards to Purchasing Policy #22 - Policy for In-House Bid Submissions an in-house team has been formed. The in-house team is made up of the following members:

- John Mater - Director of Fleet (Advisor)
- Fabiano Gondim - Supervisor of Landfills (Lead)
- Bill Allison - Dillon Consulting (Technical Advisor)
- Colin Vidler
- Frank Falcone
- Glen Watt
- Anne Winning
- Maryann Botts (Finance)
- Tina Iacoe, Purchasing Analyst (Purchasing Advisor)
- Human Resources Advisor (tbd)

The in-house team functions apart from the staff working on the RFP documents in an effort to maintain fairness. Every effort is being made to maintain the confidentiality of the RFP development. Documents have been secured and the in-house team has been advised not to discuss the process with other staff. Discussion has taken place with regards to an in-house bid as opposed to an in-house costing and it is considered that the in-house costing approach is appropriate. The in-house costing approach will
enable staff to determine the cost of operating the Landfill and Leaf and Yard Waste Composting Facility in a similar process to RFP proponents while recognizing the differences of an internal approach and that many components of the RFP will not be applicable. The internal costing process is outlined in Appendix A. Costs will be solicited for all the key elements of operations.

RFP Process

Staff is proceeding with the development of the RFP based on the findings of the best practices review. Pricing will be solicited for:

- Part A - Operation of the City’s three (3) Transfer Stations, Community Recycling Centre, Reuse store and haulage of materials from these facilities, or
- Part B - Operation of the City’s Glenbrook Landfill Site and Leaf and Yard Waste Composting Facility, or
- Part C - Operation of all activities for both Part A and Part B

RFP Evaluation

Consideration has been given to alternative evaluation processes for the RFPs.

The usual RFP evaluation process for most waste management processes is a two (2) envelope process where the first envelope contains the technical proposal and the second envelope contains the financial proposal. The technical proposal evaluation is completed with an established point score to be achieved prior to the financial envelopes being opened. Only those who achieve the point score will proceed to the opening of the financial envelope. The proponent who has passed the technical bar with the lowest financial proposal is the successful proponent, even if their technical score is lower than other proponents.

The alternative approach that has been considered is similar except that it would allow for a further comparison of price per point to address the quality of the technical submission if the financial proposals are within an established differential, for example 5 or 10%. This differential is intended to reflect a factor for consideration of better proposals. If the prices are within the differential, the price is calculated on a price per point achieved in the technical evaluation. The proposal with the lowest price per point is the preferred proponent, even if their price was not the lowest.

Following a review of the two (2) approaches with the Finance staff, it was determined to continue to use the straight two (2) envelope approach to the evaluation. This approach has a lower perception of being considered too subjective and continues to provide a fair evaluation if the technical requirement is high and the technical evaluation is structured around important components that are essential to having a good operation.

**ALTERNATIVES FOR CONSIDERATION:**

The alternatives to the recommendations contained in this report are:

- To direct staff to provide in-house costing on all portions of the RFP
To proceed with the RFP process for contracted services only and not provide in-house costing for any portion of the RFP

To direct staff to provide an in-house bid for the Landfill and Leaf and Yard Waste Composting Facility operations

These alternatives have been fully discussed in the Analysis/Rationale section and are not being recommended for the reasons set out therein.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Consulting services are required by the Internal Costing team to provide technical assistance and due to the short timeframe to complete the costing process. This cost is estimated to be $60,000 (tbd) and will be funded from Waste Management Capital Project 5120791000, Glanbrook Landfill Maintenance & Capital Improvements.

POLICIES AFFECTING PROPOSAL:

Public Works Strategic Plan

Investigating actual pricing and best practices for the Transfer Station and Disposal Operations Review is fiscally responsible and environmentally sustainable. The best practice review will show the community that their tax dollars are being used efficiently and effectively. The Public Works Strategic Plan also strives to make Public Works a leader in the “greening” and stewardship of the City. Maximizing landfill space is environmentally and fiscally responsible.

Solid Waste Management Master Plan (SWMMP)

The recommendation to investigate actual pricing and to review best practices for the Transfer Station and Disposal Operations Review upholds SWMMP Recommendation #2 which states “The Glanbrook Landfill is a valuable resource, and the City of Hamilton must optimize the use of its disposal capacity to ensure that there is a disposal site for Hamilton’s residual materials that cannot be otherwise diverted”.

Purchasing Policy - Section 4.11 Policy for Negotiations

In-house costing will utilize the Policy for Negotiations, and where required, Council approval will be sought for single source purchases that are valued at $250,000 or greater. This approval would be requested if in-house services are recommended following the RFP process.

RELEVANT CONSULTATION:

The Purchasing Section of Financial Services was consulted in the preparation of this report and is in support of the recommendations. Staff from Legal Services, Corporate Services, Risk Management, Internal Audit, Fleet Services and Health and Safety have also been consulted on this process. The Solid Waste Management Master Plan Steering Committee as well as the Waste Reduction Task Force was also consulted.
CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes  □ No
By reviewing best practices and examining actual costs the community can be assured that their tax dollars are being used effectively.

Environmental Well-Being is enhanced. ☑ Yes  □ No
Examining Best Practices contributes to a Greener City.

Economic Well-Being is enhanced. ☑ Yes  □ No
The recommendations in this report reflect fiscal responsibility.

Does the option you are recommending create value across all three bottom lines? ☑ Yes  □ No
There is value to the community, the environment and the City’s financial position in the recommendations.

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☑ Yes  □ No
Current staffing levels will be maintained until further evaluation is completed.
Internal Costing Process

- Must follow technical specifications of RFP and provide costing that will meet requirements of RFP
- Same timeframe as RFP
- Work done by in-house team, without input from other areas
- Not required to provide performance bonds
- Required to cost out same level of insurance
- Prices will be provided in same format as RFP, however detailed costing for all prices will be provided, including purchasing back-up (i.e. completed policy information, price quotes etc.)
- 10 year costing
- Capital schedule itemized by cost and year(s) expenditure required
- 15% contingency cost is to be added to all cost estimates that are not based on firm pricing from external vendors
- Costing will be provided in a separate sealed envelope
- Technical Report will be prepared and provided in a separate sealed envelope
- Internal costing will be evaluated following the same process as the RFP
- Policy 4.11 (Policy for Negotiations) will be used to obtain pricing where required
# Project Schedule

<table>
<thead>
<tr>
<th>Activity</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepare RFP</td>
<td>April 2008</td>
</tr>
<tr>
<td>RFP to Market</td>
<td>May and June 2008</td>
</tr>
<tr>
<td>Completion of In-House Costing</td>
<td>June 2008</td>
</tr>
<tr>
<td>RFP Evaluation</td>
<td>August 2008</td>
</tr>
<tr>
<td>Financial Evaluation</td>
<td>September 2008</td>
</tr>
<tr>
<td>Completion of Staff Report</td>
<td>October 2008</td>
</tr>
<tr>
<td>Council Approval</td>
<td>November 2008</td>
</tr>
<tr>
<td>Current Contract Ends</td>
<td>December 31, 2009</td>
</tr>
<tr>
<td>Contract Extensions</td>
<td>Jan 1-Feb 28, 2010</td>
</tr>
<tr>
<td>New Service Begins</td>
<td>March 1, 2010</td>
</tr>
</tbody>
</table>