SUBJECT: Recycling Program - Mixed Broken Glass Commodity Marketing (PW06008) (City Wide)

RECOMMENDATION:

(a) That the City enter into an agreement with Unical-Gaudreau Group (“Unical Inc.”) to transfer and process mixed broken glass (MBG) from the City of Hamilton’s recycling program at a total cost of approximately $475,500, to be funded from Account 512520-55914, for a seven year contract period in accordance with the terms and specifications set out in Stewardship Ontario’s Glass Market Development Fund Request for Proposals (RFP) - Provision of Processing Capacity for Mixed Broken Glass for the following:
   (i) Seven plus three one year options - processing costs per tonne, with revenue sharing between Unical Inc. and Cities/Regions
   (ii) Seven plus three one year options - Haulage costs per tonne

(b) That the General Managers of Public Works and Finance and Corporate Services be authorized and directed to negotiate the agreement with Unical Inc. under the City’s Purchasing By-law, Policy #12, and if successful in those negotiations, finalize the contract in accordance with the provisions as set out in Stewardship Ontario’s Glass Market Development Fund Request for Proposals (RFP).

(c) That funds for the provision of the above services be incorporated into the Waste Management Division Operating Budget Account 512520-55914 beginning with the 2007 submission and the budget be reduced at that time to reflect the savings that will result from the contract with Unical-Gaudreau Group.

Scott Stewart, C.E.T.
General Manager
Public Works
EXECUTIVE SUMMARY:

The City of Hamilton currently collects mixed colour glass jars and bottles through its recycling program. Markets for mixed broken glass are poor in Ontario and results in an overall cost to municipalities.

In order to improve the processing capacity for mixed broken glass in Ontario, Stewardship Ontario issued a Request for Proposals to solicit proposals from companies to process mixed broken glass at their own site. The City of Hamilton participated in Stewardship Ontario’s Request for Proposals (RFP) along with the Cities of Toronto, Guelph, and Regions of York, Peel and Durham.

The RFP was issued on March 8, 2005 and closed on June 10, 2005 with three addenda being issued. Three companies submitted proposals in response to the RFP. An evaluation of proposals was completed by an evaluation team with representatives from Stewardship Ontario and the municipalities participating in the RFP.

The RFP evaluation team recommends that Unical Inc. of Longueuil, Quebec be selected as the Preferred Proponent for the RFP. Unical Inc. was the sole company that passed the review of mandatory requirements (Phase 1) and the technical evaluation process (Phase 2) of the RFP. Upon Council approval, the next step is to proceed with contract negotiations and establish agreements between Unical Inc. and each of the participating municipalities, including the City of Hamilton.

The City of Hamilton Waste Management Division recommends that the City enter into an agreement with Unical Inc. to provide glass transfer services and glass processing services as outlined in Stewardship Ontario’s Glass Market Development Fund Request for Proposals (RFP). Entering into the agreement with Unical Inc. is expected to save the City approximately $469,500 over its current costs for the seven year term of the contract.

BACKGROUND:

The information provided in this report has City-wide implications and relate to the marketing of mixed broken glass collected through the City’s recycling program.

Stewardship Ontario issued a Request for Proposals (RFP) to solicit proposals from glass recycling companies to provide processing capacity for up to 60,000 tonnes / year of mixed broken glass (MBG) collected from Ontario municipal recycling programs. The RFP was funded under Stewardship Ontario’s Glass Market Development Investment Fund. Stewardship Ontario’s RFP also included a grant of up to $2 million for companies to establish facilities in Ontario to process and market mixed broken glass materials. The main objective of the RFP and Stewardship Ontario’s grant is to increase the amount of mixed broken glass captured from Ontario’s municipal recycling programs and to reduce municipal recycling system costs. Most Ontario municipalities incur a cost to recycle mixed broken glass captured through their recycling programs.

The Stewardship Ontario’s Glass Market Development Fund RFP was issued on March 8, 2005 and closed on June 10, 2005 with three addenda issued. Stewardship Ontario advertised the RFP on their website, in national newspapers, on industry association websites, and notified industry members. The RFP included the following options:
MBG Processing Costs per tonne for a seven year contract period plus three one-year optional extensions

MBG Processing Costs per tonne including Stewardship Ontario’s $2 million capital infusion for a seven year contract period plus three one-year optional extensions

MBG Haulage Costs per tonne for a seven year contract period plus three one-year optional extensions

The RFP also included an option for a revenue sharing arrangement between the Proponent and the participating municipalities.

The RFP was developed in conjunction with representatives from municipalities that are expecting to provide MBG materials as stated in the RFP including the Cities of Hamilton, Toronto, Guelph, and the Regions of York, Peel and Durham. The RFP’s general terms & conditions were based on standard municipal purchasing requirements.

ANALYSIS/RATIONALE:

The City of Hamilton collects glass jars and bottles in its recycling program. Glass containers are separated into different grades at the City’s Materials Recycling Facility including clear glass, coloured glass, and mixed broken glass. The City currently has markets for clear and coloured glass that generate revenue. As per the approved Council report, “Marketing Services for Recyclable Commodities” (PW03169) dated October 7, 2003, the City retained the services of Recycling Materials Marketing (ReMM) to market the recyclable commodities processed from the City’s recycling program. The City intends to continue to solicit markets for sorted clear and coloured glass through ReMM.

Glass jars and bottles are co-collected with other containers, resulting in a large amount of mixed broken glass that is unacceptable to many markets. Markets for mixed broken glass were poor in 2004 and 2005, resulting in an overall cost to the City. The City’s glass recycling costs are offset by Waste Diversion Ontario’s (WDO) funding if the materials are sent to a suitable end market. A comparison of the City’s estimated projected costs for mixed glass transfer and processing are included in Table 1 in this report.

Stewardship Ontario’s RFP Evaluation

Three companies submitted proposals in response to the RFP including:

- Canadian Liquids Processors Ltd. of Hamilton, Ontario;
- NexCycle Industries Ltd. of Guelph, Ontario; and
- Unical - Gaudreau Group (“Unical Inc.”) of Longueuil, Quebec.

The RFP evaluation team included one representative from each of the six municipalities involved in the RFP process, two Stewardship Ontario representatives, and two representatives from Stewardship Ontario’s Project Consulting Team.

The proposals were subject to a two-envelope evaluation process specified in the RFP, which included the following:

- MBG Processing Costs per tonne for a seven year contract period plus three one-year optional extensions
- MBG Processing Costs per tonne including Stewardship Ontario’s $2 million capital infusion for a seven year contract period plus three one-year optional extensions
- MBG Haulage Costs per tonne for a seven year contract period plus three one-year optional extensions
• Envelope 1 - review of mandatory requirements (Phase 1);
• Envelope 1 - review of technical proposals (Phase 2); and
• Envelope 2 - opening of financial proposals (Phase 3).

The financial proposals were not opened until the proponents met the requirements in Phase 1 and Phase 2 and achieved a minimum score of 80%. The review also included site visits to the proponent’s existing glass processing facilities on July 25, 2005 and July 27, 2005.

The RFP evaluation team determined that Unical Inc.’s proposal met the technical requirements of the RFP and their financial proposal was evaluated. The technical proposals submitted by NexCycle Industries Ltd. and Canadian Liquids Processors Ltd. did not meet the minimum score of 80%, therefore their financial proposals were not opened. Stewardship Ontario provided the scores to each proponent.

**ALTERNATIVES FOR CONSIDERATION:**

Marketing through Brokers

The City currently has an arrangement with ReMM to market the City’s recyclable container commodities including mixed broken glass.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

Financial

Information on the estimated costs of entering into the Contract with Unical Inc. is included in Table 1. The costs are based on the quantity of materials stated in the City’s 2006 budget (approx. 3950 tonnes/year).

<table>
<thead>
<tr>
<th>Table 1 – Mixed Broken Glass Cost Summary with Stewardship Ontario Capital Infusion</th>
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<td>Actual Dollars ($Total Costs for Years 1 – 7)</td>
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<td>Total Actual Cost for Years 1 - 7 (Transfer &amp; Processing)</td>
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<tr>
<td>Estimated Total Savings for Years 1 – 7 with Unical Inc.</td>
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The per-tonne processing cost includes $1.75 million capital infusion from Stewardship Ontario to Unical Inc. that offsets the processing costs paid by the municipalities.

The seven year contract is from December 31, 2006 to December 30, 2013, with three optional one year extensions. The agreement would result in a budget reduction of approximately $567,775.00 over the seven (7) year period or an annual savings ranging from $58,000/year in 2007 to $81,000/year in 2013.

Unical Inc.’s proposal requires a minimum of 50,000 tonnes per year of MBG from the participating municipalities to move forward with this initiative. Each participating municipality, including the City of Hamilton will guarantee (i.e. put or pay) 80% of its awarded tonnage for each operating year of the contract term as set out in the Stewardship Ontario’s RFP (i.e. Hamilton = 80% of 3000 tonnes). Staff from the participating municipalities are recommending that each participating municipality negotiate separate agreements with Unical Inc. in accordance with the provisions as set out in Stewardship Ontario’s Glass Market Development Fund Request for Proposals (RFP).

The haulage fee is based on tonnes transferred from the City’s Materials Recycling Facility to Unical Inc.’s new facility, which will be constructed in the City of Toronto. Unical Inc.’s processing costs in Table 1 excludes potential rebates under Unical Inc.’s MBG Quality Incentive Program. The City may qualify for additional rebate(s) for the processing costs if the City meets Unical Inc.’s quality requirements. The quality requirements include rebates for MBG loads with minimal residue and MBG loads that meet Unical Inc.’s particle size specifications. The potential additional savings throughout the seven-year contract period ranges between $42,000 to $210,000 (total for Years 1 – 7). Unical will take representative samples of the MBG material received on a regular basis to determine the contaminant content and evaluate the quality of the materials received. Records will be kept on the quality of the materials supplied by each participating municipality that will be available on request.

Legal Implications

The City will be required to negotiate a contract with Unical Inc. under the City’s Purchasing Policy #12 upon Council approval.

POLICIES AFFECTING PROPOSAL:

The Solid Waste Management Master Plan (SWMMP) directly affects this proposal through the implementation of several of the SWMMP recommendations, including:

Recommendation #2 - 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.

Recommendation #3 - The City of Hamilton must set an aggressive objective of 65% waste diversion by the end of 2008, based upon 2000 waste generation rates.

Staff recommends that the City retains the services of Unical Inc. through the City’s Purchasing By-law, Policy #12, that states the following:

“The City may participate with other government agencies or public authorities in cooperative acquisition ventures when it is in the best interest of the City to do so.
The procedures and policies of the agency calling the tender, proposal or quotation will be followed.”

RELEVANT CONSULTATION:

The City’s Corporate Services Department’s Purchasing Section was advised of the City’s participation in Stewardship Ontario’s RFP process.

The recommendation has been discussed and endorsed by the Solid Waste Management Master Plan Steering Committee.

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
Partnerships are promoted.
Stewardship Ontario's Glass Market Development Fund Request for Proposals (RFP) - Provision of Processing Capacity for Mixed Broken Glass was developed in conjunction with the Cities of Hamilton, Toronto, Guelph and the Regions of York, Peel and Durham.

Environmental Well-Being is enhanced. ☑ Yes □ No
Waste is reduced and recycled.
Mixed broken glass will be recycled into valuable end products and will contribute to the City's waste diversion target.

Economic Well-Being is enhanced. ☑ Yes □ No
Hamilton's high-quality environmental amenities are maintained and enhanced.
The City of Hamilton will optimize the use of its disposal capacity at the City's Glanbrook Landfill site. Entering into an agreement with Unical Inc. will result in a cost savings to the City.

Does the option you are recommending create value across all three bottom lines? ☑ Yes □ No

This report supports the City of Hamilton’s strategic plan in the following ways:

- Sustainability: to contribute to a balanced community, economy and environment; to minimize the footprint of our activities and to do no harm.
- A Healthy, Safe and Green City – Reducing Waste going to Landfills. Council will commit to an aggressive waste diversion rate to increase the lifespan of our landfill and ultimately reduce costs, both financial and environmental, for taxpayers.

Do the options you are recommending make Hamilton a City of choice for high performance public servants? □ Yes ☑ No