

Request for Decision

Tender Award: GDD13-3 Operation of Landfill Sites & a Waste Transfer Station

Presented To:	City Council
Presented:	Tuesday, May 14, 2013
Report Date	Wednesday, May 08, 2013
Type:	Tenders and Requests for Proposals

Recommendation

That the City of Greater Sudbury award Contract GDD 13-3 Operation of Landfill Sites and a Waste Transfer Site Option 1 and Option 2 to William Day Construction Ltd. for a three year term in the annual amount of \$2,643,039 and \$2,133,299.30 plus HST respectively and two one year options to be renewed at the discretion of the General Manager; and

That the 2013 shortfall of approximately \$1.1 million be funded from increased tipping fees going from \$63 per tonne to \$71 per tonne, generating \$280,000, a contribution from Capital Financing Reserve Fund – Environmental Services of \$590,000 and a contribution from the Tax Rate Stabilization Reserve in the amount of \$200,000; and

That Staff be directed to prepare a report prior to the 2014 budget deliberations that identifies funding for the additional expenditures through the increase in user fees, efficiencies and other measures to assist in reducing the levy impact; and

That the Waste Management By-law be amended to reflect the increase in tipping fees; and

That the Landfill tipping fee be reviewed annually as part of the Miscellaneous User Fee by-law process.

Finance Implications

If approved, the 2013 budget shortfall of approximately \$1.1 million will be funded from three sources: increased tipping fees and contributions from Capital Financing Reserve Fund – Environmental Services and the Tax Rate Stabilization Reserve.

For 2014, the budget will be developed based on the increased annual expenditures of \$1.8 million related to the new contract. Staff will report back to Council prior to budget deliberations on funding these increased expenditures. Funding sources will include increased user fees, efficiencies and other measures to reduce the impact on the tax levy. In addition, throughout the life of the contract, staff will continue to meet with the Contractor to identify additional efficiencies to reduce the impact to the budget.

Signed By

Report Prepared By

Chantal Mathieu
Director of Environmental Services
Digitally Signed May 8, 13

Division Review

Chantal Mathieu
Director of Environmental Services
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Recommended by the Department

Bill Lautenbach
General Manager of Growth and Development
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Recommended by the C.A.O.

Doug Nadorozny
Chief Administrative Officer
Digitally Signed May 8, 13

Background

Contract GDD13-3 Operation of Landfill Sites and a Waste Transfer Site closed on March 26, 2013. The contract was divided into three options. Option #1 is for the operation of the Sudbury Landfill & Waste Diversion Site, Option #2 is for the operation of the Hanmer and Azilda Landfill & Waste Diversion Sites and Option #3 is for the operation of the Walden Small Vehicle Waste Transfer Site. The new contract will provide services commencing June 3rd, 2013 for three years with the option to extend for two years.

The following bids were received:

BIDDERS	Option #1	Option #2	Option #3
Pioneer Construction Inc.	\$4,370,547.77	\$2,705,580.09	\$754,522.29
William Day Construction Ltd.	\$3,839,238.00	\$2,339,875.70¹	\$403,369.75
BM Metals Services	No Bid	\$2,750,659.17	\$378,262.11
HST not included Note ¹ – mathematical error corrected by Supplies & Services			

The low complaint bid from BM Metals Services was within the allocated operating budget and therefore was awarded to the Contractor.

The other two low compliant bids with a combined cost of \$6,179,113.70 from William Day Construction Ltd are over the current allocated budget and require Council approval.

The contract includes items for the operation of the sites according to the regulatory requirements of the Ministry of the Environment Site Certificate of Approvals; the site Design, Maintenance & Operating Manuals; Emergency Fire Plans; Regulation 347; the local Waste Management By-law and any other pertinent regulations or by-laws. The specifications in the contract have been tightened to ensure compliance with all requirements of the documents previously listed, including measures to deal with nuisance complaints and a new schedule for liquidated damages. The liquidated damages chart lists the charges that the Contractor will be accessed if they don't follow certain critical operational requirements (i.e. failure to cover waste properly, failure to process compostable materials as required).

The tender and bid also includes specifications for items that will be required or might be required in the future. This includes the new requirements for processing organics commencing in 2015 and for items that when required would be funded from the Capital Financing Reserve Fund - Environmental Services and not the operating budget (i.e. additional portable litter fences or landfill metal cover plates). This cost is approximately \$247,000 + HST.

The tender and bid also includes items that are currently under review and will require Council approval prior to being implemented. These include waste diversion initiatives such as mattress recycling and the recycling of construction and demolition materials. These programs will be brought to Council once they have been reviewed by the Solid Waste Advisory Panel. This cost is estimated at \$1,155,000 + HST.

Approximately \$3,041,000 is available to fund the existing service levels. The overall annual budget shortfall is approximately \$1,736,000 + HST (2013 shortfall including non-refundable HST is \$1,070,000).

The landfill tipping was set at \$72 per tonne for many years. The rate was reduced in 2004 to \$60 per tonne and then raised to \$63 per tonne in 2010.

2013 Impact

To fund the estimated unbudgeted shortfall of \$1,070,000 (inclusive of HST) for 2013, staff is recommending the following:

Gross Tender Cost (Options 1 and 2)	\$6,300,000
Less: Unapproved Service Level Items	\$1,175,000
Less: Amounts funded from Capital	\$ 250,000
Less: Current Operating Budget (2013)	\$ 3,041,000
Annual shortfall	\$1,834,000
Unfunded Portion for 2013 year (7 months)	\$1,070,000
Funding Sources for 2013 Budget Shortfall	
Tipping Fee increase (from \$63 to \$71/tonne), effective July 1, 2013	\$280,000
Tax Stabilization Reserve	\$200,000
Capital Financing Reserve Fund - Env. Services	\$590,000
Total Funding Sources (includes non-rec HST of 1.76%)	\$1,070,000

The increase in tipping fee is based on applying the average user fee increase of 3% per year since 2010. If the annual increase had been applied, the new tipping fee rate would have been \$71 per tonne. It's important to note that from a cost recovery perspective, a full recovery of costs would yield a user fee of approximately \$90 per tonne.

2014 Impact

Over the coming months, Environmental Services staff and Finance staff will be reviewing various funding options. These options will be brought to the Solid Waste Advisory Panel for discussion and then to the Operations Committee followed by Council.

Staff will also be reviewing program requirements with the successful Contractor to determine whether savings can be achieved without comprising site operation. Any savings would flow through the operating budget. One potentially significant savings would be the reduction of imported granular B material to cover waste on a daily basis. Staff is hopeful that the use of landfill metal cover plates will provide adequate coverage and reduced the need for granular B material.