
Subject: Award of 2021-T-64 Humberstone Landfill Operations

Report to: Public Works Committee

Report date: Tuesday, June 15, 2021

Recommendations

1. That Contract 2021-T-64 – Humberstone Landfill Operations **BE AWARDED** to Future Waste Systems (Niagara) Inc., at their tender price of \$2,529,027.42 per year (including 13% HST) for a term of seven (7) years, with an option in favour of Niagara Region to extend the term for up to three (3) one (1) year periods; and
2. That the Regional Chair and Regional Clerk **BE AUTHORIZED** to execute the Contract and any required documents related thereto in a form satisfactory to the Director of Legal and Court Services.

Key Facts

- The Purchasing and Execution Authority of the Region's Procurement By-law states that the purchasing authority for competitive bid processes over \$5,000,000 is Council.
- The purpose of this report is to seek Council's approval to award Request for Tender 2021-T-64 to Future Waste Systems (Niagara) Inc. for operations at the Humberstone Landfill site given that the total value of the contract exceeds \$5,000,000.
- Niagara Region has contracted out the operation of the Humberstone Landfill since assuming responsibility from the City of Welland in 1998. The work includes the operation of landfilling waste and operating the residential waste and recycling drop-off depot. The contractor is required to supply all equipment and staff resources required to perform the work.
- Niagara Region issued two Requests for Proposal (RFP) in 2020. In the first RFP, issued in October 2020, none of the bid submissions passed the minimum technical requirements, while in the second RFP, issued in December 2020, only one bid submission passed the technical requirements allowing the pricing to be opened. The pricing was significantly higher than what was budgeted and as a result, Waste Management Services made the decision to cancel the process.
- In April 2021, Niagara Region reissued a competitive procurement with a refined scope utilizing the Tender process. The contract award for a tender is based on the lowest compliant bid.

- Niagara Region received two (2) bid submissions. Staff recommend award to Future Waste Systems (Niagara) Inc. as the lowest compliant bid.
- The contract to operate the Humberstone Landfill is for seven (7) years with the option of extending the contract on a yearly basis for an additional three (3) years for a potential total contract term of ten (10) years.
- The 2021 operating budget impact is estimated at \$362,000 which can be accommodated within the overall projected 2021 operating surplus of the division primarily due to more favourable recyclable commodity sale prices. The projected 2022 operating budget impact is approximately \$1,085,000 or 2.7% of the 2021 Waste Management requisition and will be subject to 2022 operating budget deliberations.

Financial Considerations

The tender price for the new proposed contract is \$2,277,467.52 (including 1.76% non-recoverable HST) per year. The price submitted by Future Waste Systems (Niagara) Inc. includes provisional items for additional equipment which is required occasionally throughout the year. Niagara Region pays an hourly rate for the use of the equipment. Additional staff requirements are also included in the provisional item and is paid on an hourly and / or daily rate to assist operations during the busy times of the year. The contract has a Consumer Price Index escalation provision for subsequent years. The total anticipated value of the contract over seven (7) years is \$16,677,881.42 (including 1.76% non-refundable HST) based on a CPI increase of 1.5% per year with the potential of \$24,375,101.02 (including 1.76% non-refundable HST) over ten (10) years.

The 2021 operating budget includes funding for the operation of the Humberstone Landfill in the amount of \$1,192,400. The 2021 budget pressure associated with awarding this contract is approximately \$362,000 based on an escalated price effective from the new contract start date of September 1, 2021. Staff is forecasting an overall operating budget surplus in the Waste Management division for 2021 including this cost escalation based primarily on strong end market revenues to date. The estimated 2022 budget impact of this award is approximately \$1,085,000, which is 2.7% of the 2021 Waste Management requisition.

Staff will be presenting the 2022 operating budget strategy at Budget Review Committee of the Whole on June 17, 2021. Staff will be consolidating budget pressures and opportunities through the development of the 2022 operating budget in Q3 of 2021. Through this process, strategies will be developed to ensure budget pressures are mitigated to the extent possible in a sustainable way and balanced with taxpayer

impacts. Council will recall that the strategy to mitigate the collection contract increases starting in 2020 was to approve three years of increases of 9.98% using the Waste Management Stabilization Reserve (WMSR) to achieve this target.

The WMSR has been utilized in 2020 and 2021 to mitigate operating budget increases. The projected balances in the WMSR net of the allocations to mitigate the new collection contract are approximately \$4,300,000 at the end of 2021 and \$3,400,000 at the end of 2022. Although reserves may be available to mitigate the impact of this award and any other incremental pressures, it should be noted that the target balance of the reserve is between \$5,700,000 - \$8,600,000. Recommended usage of the reserve to mitigate budget increases will be balanced with ensuring there is an appropriate level of the WMSR for other unforeseen or one-time circumstances that may arise.

The projected increase to the 2022 and 2023 Waste Management requisition and WMSR utilization was presented in CSD 66-2020 - 2021 Waste Management Services Operating Budget and is as follows in Table 1, below:

Table 1 – Projected Waste Management Requisition and Stabilization Reserve Contribution (Utilization) from 2021 Budget Report (in thousands) for 2022 and 2023 and the Percentage Requisition Change in 2022 and 2023

Requisition Description	2022	2023
Net Budget Requisition – Before Reserve Transfers	\$45,301	\$44,684
Reserve Contribution / (Utilization) Strategy	(901)	601
Net Budget Requisition – After Reserve Funding	44,400	45,285
Percentage Requisition Change	9.98%	1.99%

If the budget impact of this contract award were to be mitigated by the WMSR in 2022, this will have an impact on the 2023 budget requisition increase included in Table 1 above. For context, the 2023 estimated requisition would increase from 1.99% to 4%-5% to establish sustainable funding for the contract.

Background

Niagara Region operates two open landfills:

- Humberstone Landfill located at 700 Humberstone Road, Welland
- Niagara Road 12 Landfill located at 7015 Concession Road 7, West Lincoln

Both of these landfills also include a residential waste and recycling drop-off depot where residents may drop-off their waste and recycling materials.

The Bridge Street Landfill, located at 1300 Bridge Street, Fort Erie, closed landfilling operations in 2016 but continues to operate a residential waste and recycling drop-off depot.

Niagara Region recently completed a nine (9) year full Environmental Assessment process which resulted in an expansion of 2.4 million cubic metres at the Humberstone Landfill. It is estimated that the expansion will increase the operating life of the Humberstone Landfill until 2045.

In 2020, approximately 124,500 vehicles visited the Humberstone Landfill of which 108,900 vehicles were Niagara residents that were utilizing the residential waste and recycling drop-off depot to dispose of their waste, leaf and yard, and recyclable materials. This translates to an average of 400 vehicles per day that utilize the Humberstone Landfill. Approximately 57,500 tonnes of total waste was landfilled in 2020 including curbside collected waste; which is consistent with previous years.

Analysis

The Humberstone Landfill operates under contract 2016-T-06 which is a five (5) year contract that began on September 1, 2016 and ends on August 31, 2021. The annual current contract price is approximately \$1,190,000. Niagara Region issued two RFPs in 2020. In the first RFP, issued in October 2020, none of the bid submissions passed the minimum technical requirements. The second bid, issued in December 2020, had only one (1) bid submission pass the technical requirements allowing the pricing to be opened, however, pricing significantly exceeded the budget. As a result, Waste Management Services proceeded with the decision to cancel the RFP, revisit both the scope of the deliverables and the proposed term and reissue a competitive procurement by way of a tender.

In April 2021, Niagara Region issued tender 2021-T-64 for the Operation of the Humberstone Landfill from September 1, 2021 to August 31, 2028 with the option to extend for three (3), one (1) year terms for a total of up to ten (10) years. The tender requires the Successful Proponent to supply all labour, material and equipment required to operate the Humberstone Landfill. The work includes:

- i. Receiving, compacting and disposal of waste at the landfill
- ii. Operation of the residential waste and recycling drop-off depot including hauling of waste and recyclable materials
- iii. Snow clearing maintenance

In order to mitigate costs for potential bidders with the aim of achieving lower pricing, Niagara Region increased the term from a five (5) to a seven (7) year contract with the option of extending in order to allow the capital cost of the equipment to be amortized over a longer period thereby reducing costs. Additionally, rather than requiring the purchase of new equipment, the tender specifications allowed for used equipment. Niagara Region received two (2) bid submissions in response to Tender 2021-T-64.

As noted earlier, the bid prices were much higher than the current contract prices and the 2021 budgeted amount. A number of factors are driving costs up. COVID-19 is impacting equipment and parts availability, etc. Indications are that equipment prices have increased by approximately thirty (30) per cent due to increase in demand and lack of supply. Insurance and administration requirements costs have also increased significantly.

The price submitted by Future Waste Systems (Niagara) Inc. includes provisional items for additional equipment which is required occasionally throughout the year. Niagara Region pays an hourly rate for the use of the equipment. Additional staff requirements are also included in the provisional item and is paid on an hourly and / or daily rate to assist operations during the busy times of the year. Staff are recommending that all other provisional items not be accepted as part of this contract and therefore, are not reflected in the price. Provisional items such as bird control and site maintenance shall be tendered separately as staff believe they can obtain better pricing compared to the prices submitted under this procurement process.

Alternatives Reviewed

The tender pricing for 2021-T-64 significantly exceeds the current annual contractual price and is greater than anticipated when the procurement process was initiated in 2020. As indicated in the Financial Implications section, the increase in 2021 can be

accommodated within the 2021 budget, but will serve as a pressure in future years. Notwithstanding this, Staff are recommending that 2021-T-64 be awarded to the lowest compliant bidder as Staff have contacted equipment suppliers and other industry experts on the current state of the market and they have responded that they do not foresee any significant changes in pricing over the next year that may reduce the costs. In addition, Staff have also already revised the scope of work in an attempt to reduce pricing. As a result, Staff do not anticipate that a further competitive process at this time would yield lower pricing, and it is possible that pricing may even increase further. As per current contract 2016-T-06, Niagara Region only has the option to extend the existing contract for up to six (6) months.

Relationship to Council Strategic Priorities

This recommendation aligns with Council's strategic priority of Responsible Growth and Infrastructure Planning, specifically as it relates to Environmental Sustainability and Stewardship. By entering into a contract with Future Waste Systems (Niagara) Inc., Niagara Region will continue to manage waste in an environmentally safe manner while optimizing waste diversion opportunities and maintaining convenience and service levels for Niagara residents.

Other Pertinent Reports

No other reports are pertinent to this report

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