
Subject: Extension of Curbside Collection/Haulage of Garbage, Recyclables and Organics Contracts (Contract 2019-RFP-156)

Report to: Public Works Committee

Report date: Tuesday, December 3, 2024

Recommendations

1. That the Region's one (1) year extension option in Contract 2019-RFP-156 for Curbside Collection/Haulage of Garbage, Recyclables and Organic Waste with Miller Waste Systems Inc. made November 19, 2019, as amended (the "**Miller Contract**") **BE EXERCISED** such that the Miller Contract **BE EXTENDED** on the same terms and conditions for an additional year at an estimated total cost of \$15,443,060 (including 13% HST) as further set out in this report;
2. That the Region's one (1) year extension option in Contract 2019-RFP-156 for Curbside Collection/Haulage of Garbage, Recyclables and Organic Waste with GFL Environmental Inc. made November 19, 2019, as amended (the "**GFL Contract**") **BE EXERCISED** such that the GFL Contract **BE EXTENDED** on the same terms and conditions for an additional year at an estimated total cost of \$9,042,845 (including 13% HST) as further set out in this report; and
3. That the Director of Waste Management **BE AUTHORIZED** to issue the necessary notices to each of Miller Waste and GFL in order to affect the extensions of the Miller Contract and GFL Contract, respectively.

Key Facts

- This report seeks Council's approval to extend the term of the Region's collection Contracts with Miller Waste Systems Inc. ("**Miller Waste**") and GFL Environmental Inc. ("**GFL**") by one (1) year on the same terms and conditions.
- The contract extensions require Council approval in accordance with Schedule "B" (Purchasing and Execution Authority) of the Region's Procurement By-law 02-2016 as amended, whereby Council is required to approve any contract award that exceeds \$5,000,000 in total value.
- Under the Contracts, Niagara Region reserves the right to extend the term of the Contracts with Miller Waste and GFL for one (1) year using the same terms and conditions including pricing, by giving the Contractor(s) at least six (6) months written notice.

- Staff is recommending extending the Contracts now in order to benefit from the lower contract pricing for one (1) additional year in light of results in recent competitive procurement of waste collection contracts where municipalities have seen cost increases ranging from 50% to 150%.
- Preparing for a new collection contract requires approximately 38 months lead time, and therefore a decision on the Contract extension is required now.
- The Contracts are currently in year five (5) with both contractors continuing to deliver positive performance with no significant issues or concerns.

Financial Considerations

With annual Contract Price Adjustments applied, the combined estimated cost of the one (1) year extension (March 2028 - March 2029) for both Contracts is \$22,050,359 (including non-recoverable HST).

The total annual value for both Contracts in the 2025 operating budget is \$20,669,504 (including non-recoverable HST). We estimate that the annual contract value for both Contracts will be \$22,050,359 (including non-recoverable HST) for the period of March 6, 2028 to March 4, 2029 by applying the annual Contract Price Adjustment¹ to the Contract values in the 2025 operating budget.

The estimated cost for the one-year extension of the contract with Miller Waste is \$13,906,981 and \$8,143,378 for GFL (both including non-recoverable HST). Further details provided in Appendix 1 to Report PW 36-2024.

¹ Contract Price Adjustment is calculated to account for the annual changes in cost of living, cost of fuel and household count. It is calculated using the base contract value with 80% of the value subject to CPI price adjustment, 10% of the value subject to fuel adjustment and a year over year net difference in low density residential units. The Contract is adjusted annually for the Contract Price Adjustment.

Analysis

Preparing for a new collection contract requires approximately 38 months lead time, and therefore a decision on the Contract extension is required now.

The current end date of the Contract is March 5, 2028. The anticipated lead time to prepare, procure and complete the preparation for a new collection contract is currently estimated at 38 months. This means that staff would need to begin the procurement process for the new collection contract in January 2025 if the current contract end date of March 5, 2028 is maintained. Consequently, staff are coming forward now seeking Council's approval for the Contract extensions.

Extending the current Contracts will result in cost avoidance by capitalizing on existing contract pricing which is significantly lower than current market price.

Information shared by service providers, equipment suppliers, industry trade associations, Regional municipalities and the Region's collection contractors indicate that the waste management industry has experienced significant cost increases. The trend of higher collection contract cost has been reflected in recently awarded contracts in other Ontario Municipalities with increases ranging from 50% to 150% resulting in significant price increases in new contracts compared to previous.

Increases are due to inflation, cost of insurance and bonding, cost of labour and capital and overhead cost. Some municipalities also confirmed that, in addition to the causes of price increase identified by industry players, program changes such as the growing trend to switch to a fully automated cart-based collection system and green fleet have also contributed to the increased cost of new collection contracts.

Staff do not anticipate costs going down; therefore, the recommendation to extend the Contract will result in the avoidance of potential cost increases for one additional year.

The collection trucks are in good condition and expected to continue to be in a reasonable state of repair within the Contract extension period.

By the end of the initial term of the Contracts, on March 5, 2028, the collection trucks will be seven (7) years and four (4) months old.

The general industry practice is to amortize waste collection trucks over a 10-year period which assumes a useful life of at least 10 years. Both Miller Waste and GFL have indicated that no issues are anticipated with truck performance, if used over a one-year

extension period. The Contract extensions represent a reasonably low risk with respect to maintenance and operations.

Contractor performance continues to remain positive with no significant issues or concerns.

From the start of the Contracts, both Miller Waste and GFL continue to deliver good service and meet contract requirements with the following performance measures:

- Both contractors are completing waste collection by 5:30 p.m. at a rate of 96% (Miller Waste) and 100% (GFL) respectively.
- Compared to the baseline year of 2019 to 2020, there is a decrease of 51% (7,347) in service complaints.

Alternatives Reviewed

Option 1: Do not extend the Contracts.

Not exercising the one-year extension option of the Contracts means that the procurement process for the new collection contract must be initiated in early 2025. This option would not take advantage of the current pricing and could lead to higher costs based on recent market pricing.

Option 2: Extend the Contracts (recommended)

Staff recommend exercising the one-year Contract extensions. This will capitalize on existing and significantly lower contract pricing, resulting in cost avoidance for an additional year.

Relationship to Council Strategic Priorities

The recommendation highlighted in this report strategically enforces Council's priority of an Effective Region by delivering fiscally responsible and sustainable core services as it relates to its waste management programs and services.

Other Pertinent Reports

- Confidential PW 65-2019 - A Matter of Commercial and Financial Information, supplied in confidence to the municipality, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere

significantly with the contractual or other negotiations of a person, group of persons, or organization - Financial Information Supporting Waste Management Collection Contract Procurement ProcessProcess.

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Appendices

Appendix 1 Pricing for one (1) year extension

Appendix 1 Estimated Pricing for One (1) Year Contract Extension

Contract Price Adjustment ¹	GFL	Miller Waste	Total
Timelines	Adjusted Contract Value		
March 6 – October 18, 2028 ²	\$4,894,304	\$8,385,683	\$13,279,987
October 19, 2028 – February 2029 ³	\$3,020,037	\$5,130,934	\$8,150,971
March 1- 4 2029 ³	\$88,176	\$149,808	\$237,984
Subtotal	\$8,002,517	\$13,666,425	\$21,668,942
Total (including non-recoverable HST)	\$8,143,378	\$13,906,981	\$22,050,359

Note:

- Contract Price Adjustment applied on the anniversary date of Contract commencement (October 19th) and is calculated using the base contract value with 80% of the value subject to CPI price adjustment, 10% of the contract value subject to fuel adjustment and the year over year net difference in low density residential unit count.
 - Assumed 2% annual CPI.
 - Assumed current average fuel price adjustment of about 3.6%.
- Projected Contract Price Adjustment calculated for the anniversary date of October 19, 2027 is applied to the first 7.5 months (March 6, 2028 to October 18,2028) of the extension period.
- Projected Contract Price Adjustment calculated for the anniversary date of October 19, 2028 is applied to 4.5 months (October 19, 2028 to March 4, 2029).