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**Subject:** Extension to Residential Waste and Recycling Drop-Off Depot Contract

**Report to:** Public Works Committee

**Report date:** Tuesday, May 12, 2020

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## **Recommendations**

1. That the Commissioner of Public Works **BE AUTHORIZED** to seek the consent of Walker Environmental Group Inc. to a five year extension of the existing agreement between The Regional Municipality of Niagara and Walker Environmental Group Inc. for the Operation of a Residential Waste and Recycling Drop-off Depot on the same terms and conditions as contained in the original agreement save the end date and the further opportunity to renew;
2. That an Amending Agreement for the Operation of a Residential Waste and Recycling Drop-off Depot **BE PREPARED** by the Director of Legal & Court Services to amend the agreement end date, and that the Commissioner of Public Works **BE AUTHORIZED** to execute the amending agreement between The Regional Municipality of Niagara and Walker Environmental Group Inc. for extension of the agreement; and
3. That Niagara Region staff **BE AUTHORIZED** to review options to expand and/or relocate the Residential Waste and Recycling Drop-Off Depot operation at the Walker Environmental Group Inc. site.

## **Key Facts**

- The purpose of this report is to seek Council's approval of a five (5) year extension to the existing agreement with Walker Environmental Group Inc. (WEG) (formerly known as "Integrated Municipal Services Inc.") for the operation of a residential waste and recycling drop-off depot, effective January 1, 2021 and expiring December 31, 2025.
- The request to extend the existing WEG agreement aligns with clause 18 (a)(i) of The Regional Municipality of Niagara By-Law No. 02-2016 which states that bid solicitations are not required for Single Source Purchases if the compatibility of a Purchase with existing equipment, product standards, facilities or service is a paramount consideration.

- WEG have operated a residential waste and recycling drop-off depot under the existing contract with The Regional Municipality of Niagara (Niagara Region) since 2001 at their Townline Road location.
- The 10-year agreement between WEG and Niagara Region expires on December 31, 2020 and contains a provision that the parties may mutually agree to extend the term of this agreement for an additional five (5) years under the same terms, covenants and provisions.
- To maintain and/or increase service, staff are recommending a review of the operation of WEG's residential waste and recycling drop-off depot.
- As part of the residential waste and recycling drop-off depot review, Niagara Region will examine any resulting impact on organics processing at WEG's site, particularly considering anticipated future requirements.

## **Financial Considerations**

The extension of the agreement would be executed under the terms and conditions of the existing agreement. The residential waste and recycling drop-off depot agreement with WEG is a net revenue-generating contract. As per the existing agreement, Niagara Region receives quarterly royalty payments of four per cent (4%) of gross revenues generated by WEG. Since 2016, Niagara Region has received an average of approximately \$104,000 annually in royalty payments from WEG. The royalty payment is dependent upon the tonnage of materials dropped off at the depot and the tipping fee charged by WEG to residents to dispose of materials.

There are minor costs incurred by the Niagara Region through this agreement that partially offsets the royalty revenue. In alignment with the exemptions in place at Regionally-owned landfill sites, WEG shall not charge tipping fees to non-profit organizations that are designated by Niagara Region, and in turn invoices Niagara Region for waste delivered by such non-profit organizations at a specified rate per tonne (\$72.91 per tonne in 2019), adjusted annually by an amount not greater than the Consumer Price Index. The cost to Niagara Region for this exemption in 2019 was approximately \$13,500.

Under the existing agreement, Niagara Region is also responsible to provide carts and/or bins for the receipt of recyclable materials, and to recognize WEG's facility as part of Niagara Region's Solid Waste Management System, including signage and advertising/communications.

## **Analysis**

### **Background**

#### **Residential Waste and Recycling Drop-Off Depot**

In 2001, Niagara Region entered into an agreement with WEG for the establishment and operation of a residential waste and recycling drop-off depot. WEG constructed the drop-off depot at their property located on Townline Road at the border of Thorold and Niagara Falls. WEG was formerly known as Integrated Municipal Services Inc. but changed its name in or about January 2013.

The existing 10-year agreement was negotiated with WEG in 2011 for the operation of a Residential Waste and Recycling Drop-off Depot. At the end of the term, the agreement provides that both parties may mutually agree in writing to extend the agreement for a five-year term under the same terms and conditions.

Following the closure of the Glenridge Quarry Landfill Site in 2002, the WEG drop-off depot was established to provide an effective and convenient location for residents primarily from Niagara Falls, Niagara-on-the-Lake, St. Catharines and Thorold. Each year, approximately 85,000 residents drop-off a total of around 26,000 tonnes of material comprised of household waste, construction and demolition materials, soil, and recyclables such as blue / grey box materials, electronics, and leaf and yard waste.

The disposal of recyclable materials is free of charge to residents. The payment of a tipping fee is required for the disposal of the following materials: household waste, appliances with refrigerants (ex. CFCs), concrete & asphalt, tree stumps, clean wood and shingles. In 2019, WEG's minimum tipping fee was \$10 per load and \$114.58 plus HST per tonne to dispose of household waste. This fee may be adjusted once per year on March 1, by an amount not greater than the Consumer Price Index, All Items, Ontario. In comparison, the tipping fee at Regionally-owned and operated landfill sites is \$115 per tonne and is reviewed regularly to ensure cost-recovery of current and future landfill operation and monitoring costs. Under the terms of the agreement, Niagara Region receives 4% of all gross revenues, which equated to approximately \$106,500 in 2019. All revenues generated through this contract are used to offset the cost of providing waste management services in Niagara Region.

Since the opening of the residential waste and recycling drop-off depot in 2001, the site has not undergone any significant upgrades or modifications in layout or services

provided. With the continued population growth of Niagara Region and increasing emphasis on material diversion, the site has become undersized. Additionally, any potential expansion of the existing WEG composting facility may impact the operation of the residential waste and recycling drop-off depot due to site size constraints.

Over the past several years, WEG and Niagara Region staff have been engaged in discussions of how to optimize the operation of the residential waste and recycling drop-off depot. As a result, staff are recommending that an operational review of options be undertaken, including the possible relocation of the drop-off depot and expansion of services.

### Organics Processing

Niagara Region's organic materials have been processed at WEG's composting facility under a separate contract since 2009, and will continue until 2029. It is anticipated that the amount of organics generated in Niagara Region will continue to grow as a result of increasing organics diversion. A review of future organics requirements has occurred to ensure that Niagara Region maintains sufficient organics processing capacity. The tonnage of diverted organics will be closely monitored and capacity requirements will be continually reassessed to ensure future needs will be met. Expansion of this compost facility will more than likely impact the current residential waste and recycling drop-off depot location and its operations. Staff are currently in discussions with WEG and further analysis will be undertaken.

### Alternatives Reviewed

Two alternatives were considered during analysis. The first alternative is to allow the existing agreement with WEG to expire. Residents would continue to have the option of disposing / diverting their materials at the WEG residential waste and recycling drop-off depot, taking materials to an alternate private facility or visiting one of Niagara Region's three drop-off depots. The nearest Regionally-owned drop-off depot is located at the Humberstone Landfill in Welland. Due to the convenient location of the WEG residential waste and recycling drop-off depot and Niagara Region's household hazardous waste depot just down the road from WEG's facility for the residents of Niagara Falls, Niagara-on-the-Lake, St. Catharines and Thorold, this alternative was not pursued.

The second alternative is to issue a tender for residential waste and recycling drop-off depot services. Given that the existing agreement has the option to extend for a period of five years (subject to the mutual agreement of the parties), and the excellent service

that WEG has provided to date, Niagara Region staff did not consider the option to issue a tender at this time. Report PWA 40-2011, wherein approval for the original agreement was obtained from Council, referenced the potential for an extension of the agreement.

### **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 extending the agreement with WEG, Niagara Region will continue to optimize waste diversion opportunities and convenience for Niagara residents.

### **Other Pertinent Reports**

- PWA 40-2011

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#### **Prepared by:**

Emil Prpic  
Associate Director, Waste Disposal  
Operations & Engineering  
Waste Management Services

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#### **Recommended by:**

Bruce Zvaniga, P.Eng.  
Commissioner of Public Works (Interim)  
Public Works Department

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#### **Submitted by:**

Ron Tripp, P.Eng.  
Acting Chief Administrative Officer

*This report was prepared in consultation with Sara Mota, Program Financial Specialist, Corporate Services; Andrew Winters, Program Manager, Waste Management Services; and reviewed by Sterling Wood, Legal Counsel, Corporate Services, Catherine Habermehl, Director, Waste Management Services, Lydia Torbicki, Manager Waste Policy and Planning, Waste Management Services, and Sherri Tait, Acting Manager of Collections and Diversion, Waste Management Services.*