

**2. SOLID WASTE SERVICES 2023 RESIDENTIAL CURBSIDE COLLECTION
CONTRACT PROCUREMENT STRATEGY**

**STRATÉGIE POUR LA PASSATION DU MARCHÉ PUBLIC DE COLLECTE
DES DÉCHETS RÉSIDENTIELS EN BORDURE DE RUE 2023 DES
SERVICES DES DÉCHETS SOLIDES**

COMMITTEE RECOMMENDATION

That Council delegate the authority to the General Manager of the Public Works and Environmental Services Department to negotiate, finalize and execute a short-term, two-year residential curbside collection contract with each of the existing curbside collection service providers, including the In-House Collections Group, in accordance with section 22(1)(d) of the Procurement By-law, and as described in this report.

RECOMMANDATION DU COMITÉ

Que le Conseil municipal délègue au directeur général de la Direction générale des travaux publics et de l'environnement le pouvoir de négocier, de finaliser et de signer un contrat à court terme de deux ans pour la collecte des déchets en bordure de rue avec chacun des fournisseurs de services de collecte en bordure de rue existants, dont le Groupe interne de collecte des déchets, conformément à l'article 22(1)(d) du Règlement sur les approvisionnements et selon les modalités exposées dans le présent rapport.

DOCUMENTATION

1. General Manager's Report, Public Works and Environmental Services, dated 17 June 2021 (ACS2021-PWE-SWS-0002).

Rapport du directeur général, Services des travaux publics et des services environnementaux, daté le 17 juin 2021 (ACS2021-PWE-SWS-0002).

2. Extract of Draft Minutes, Standing Committee on Environmental Protection, Water and Waste Management, 29 June 2021.

Extrait de l'ébauche du procès-verbal, Comité permanent de la protection de l'environnement, de l'eau et de la gestion des déchets, le 29 juin 2021.

**STANDING COMMITTEE ON
ENVIRONMENTAL PROTECTION,
WATER AND WASTE MANAGEMENT**

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**COMITÉ PERMANENT DE LA
PROTECTION DE
L'ENVIRONNEMENT, DE L'EAU ET
DE LA GESTION DES DÉCHETS
RAPPORT 17
LE 7 JUILLET 2021**

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**Report to
Rapport au:**

**Standing Committee on Environmental Protection, Water and Waste Management
Comité permanent de la protection de l'environnement, de l'eau et de la gestion
des déchets**

29 June 2021 / 29 juin 2021

**and Council
et au Conseil**

7 July 2021 / 7 juillet 2021

Submitted on June 17, 2021

Soumis le 17 juin 2021

Submitted by

Soumis par:

**Kevin Wylie, General Manager/ Directeur général, Public Works and
Environmental Services/ Direction général des travaux publics et de
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**CITY WIDE / À L'ÉCHELLE DE LA VILLE Ward: File Number: ACS2021-PWE-
SWS-0002**

**SUBJECT: Solid Waste Services 2023 Residential Curbside Collection Contract
Procurement Strategy**

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OBJET: Stratégie pour la passation du marché public de collecte des déchets résidentiels en bordure de rue 2023 des Services des déchets solides

REPORT RECOMMENDATIONS

That the Standing Committee on Environmental Protection, Water and Waste Management recommend that Council delegate the authority to the General Manager of the Public Works and Environmental Services Department to negotiate, finalize and execute a short-term, two-year residential curbside collection contract with each of the existing curbside collection service providers, including the In-House Collections Group, in accordance with section 22(1)(d) of the Procurement By-law, and as described in this report.

RECOMMANDATIONS DU RAPPORT

Que le Comité permanent de la protection de l'environnement, de l'eau et de la gestion des déchets recommande que le Conseil municipal délègue au directeur général de la Direction générale des travaux publics et de l'environnement le pouvoir de négocier, de finaliser et de signer un contrat à court terme de deux ans pour la collecte des déchets en bordure de rue avec chacun des fournisseurs de services de collecte en bordure de rue existants, dont le Groupe interne de collecte des déchets, conformément à l'article 22(1)(d) du Règlement sur les approvisionnements et selon les modalités exposées dans le présent rapport.

EXECUTIVE SUMMARY

The purpose of this report is to seek delegated authority for staff to enter into a short-term, two-year curbside collection contract with the existing contractors, targeted to begin on June 5, 2023.

The City of Ottawa is responsible for the curbside collection of blue and black box recyclables, green bin organics, leaf and yard waste, garbage, and bulky items from approximately 294,000 residential homes, as required and regulated by provincial legislation. The City also provides collection services to 190 City-owned facilities, 550 small businesses through the City's [Yellow Bag](#) program, and approximately 240 schools with green bin collection through the City's [Green Bins in Schools](#) program.

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Collection services for the City of Ottawa are delivered in accordance with the service standards established by Council which, in turn, are informed by Solid Waste Services led research, industry best practices and overarching provincial legislation.

The current Solid Waste Services (SWS) residential curbside collection contract is worth on average approximately \$44.6 million per year for the term between June 1, 2020 and June 4, 2023. The contract is divided into five zones, three of which are serviced by Miller Waste as a result of the 2019 contract negotiations and two that are serviced by the City's In-House Collections Group. Each contractor collects waste from between 54,000 and 65,000 service locations per zone.

The contract is based on service levels approved by Council in 2011 as outlined in the Solid Waste Service Level Review report ([ACS2011-ICS-ESD-0002](#)). At a high-level, these services include:

- Uniform curbside collection service levels across the city, both rural and urban;
- Weekly Green Bin collection, including leaf and yard waste;
- Bi-weekly collection of Blue and Black Box on alternating weeks;
- Bi-weekly garbage collection; and
- Bi-weekly collection program for diapers and incontinence products, alternating with the garbage collection.

The current curbside collection contracts began on June 1, 2020 and are set to expire on June 4, 2023. Given this expiry date, the extensive lead time required to procure new collection equipment prior to implementing any new collection contract, and other factors as outlined below, in late 2020, SWS staff engaged in planning discussions with key stakeholders to inform the development of the 2023 Curbside Collection Contract Procurement Strategy. This strategy is recommending that Council delegate the authority to the General Manager of the Public Works and Environmental Services Department to negotiate, finalize and execute a short-term, two-year curbside collection contract with each of the existing curbside collection service providers. In order to ensure no service disruptions to residents, Council approval of this approach is required

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by mid-2021 so that contracts can be negotiated and awarded by Q3 2021 and collection equipment can be procured as required.

In January 2021, staff began an options analysis to determine the best procurement approach moving forward. As part of this analysis, staff completed an environmental scan in order to document and evaluate the risks and benefits associated with each option against the current legislative landscape.

Similar to the 2019 Council approved approach, based on the timing of the transition with respect Individual Producer Responsibility (IPR), the ongoing work of the Solid Waste Master Plan and Council's priority to start implementing waste diversion strategies in the near future, staff were mindful of the risks associated with issuing a tender for a standard term collection contract that would carry the City into at least 2028.

Critical to the analysis, was the need to mitigate risks to the City from both a financial and operational perspective, while ensuring that curbside collection services to residents continue without disruption, beyond June 4, 2023. Key considerations that support staff's recommendation identified through this analysis are listed below and further detailed in the discussion section of the report:

- Transition to IPR for the Provincial Blue Box Program (which includes Ottawa's Blue and Black box programs)
- Timing to implement policy changes from the Solid Waste Master Plan (SWMP)
- Supply chain and COVID-19 impacts

In summary, the standard competitive contract approach would mean the next curbside collection contracts would carry through until at least 2028. This end date is well beyond the anticipated IPR transition timelines and well beyond the timeframe currently targeted by Council to start implementing curbside diversion strategies, and desired outcomes from the SWMP.

Further, considering the lead time required for the overall contract procurement process, it is staff's position that the City will be unable to issue a well-informed request for tender or proposal with sufficient time ahead of the next contract start date. Although

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specific language can be built into a collection contract to address provincial changes like IPR, any time uncertainty is introduced into a contract, such as the potential for carving out a service, or making a change to a service at any point during the contract term, it introduces risk to the contractor, and this risk is typically transferred to the City through less than optimal pricing.

A short-term contract with existing vendors would mitigate risks and allow time to consider the implications of IPR and the SWMP, minimize the financial and operational risks associated with implementing a longer-term contract at this time, and minimize the risk of service disruptions to residents by working with well-established service providers. Furthermore, this option would provide the City with sufficient time to develop a more fulsome long-term procurement strategy that considers the impacts of IPR and provides Council with maximum flexibility to implement findings from the SWMP.

Based on the risks and considerations noted above, staff are recommending entering into a two-year short-term curbside collection contract. Given the findings of the 2018 RFI process, the market has indicated that a non-competitive contract is the preferred option available to secure such a contract. The short-term contract will be awarded per section 22(1)(d) of the [Procurement By-Law No. 50 of 2000](#). This new contract will be issued to the current service providers under similar terms and conditions as the existing one, supplying collection services in all five curbside zones. Each vendor would retain their current collection zone.

It is staff's opinion that a short-term contract will position the City to mitigate the risks associated with the pending shift to IPR while also providing Council with the opportunity to consider implementing waste diversion strategies prior to 2025. A shorter-term contract will also offer the potential, once the SWMP is adopted, to implement Council's vision and direction more quickly compared to a standard term contract that would not expire until at least 2028.

Based on the outcome of the analysis, SWS engaged Legal and Supply Services to help develop a short-term contract procurement strategy. Further to recent market research and input from Supply Services, it was determined that findings from the 2018 RFI process are still relevant given the current market conditions. These findings indicated that there is little interest in the market, outside of the existing contract service providers, to enter into a short-term collection contract. Further, the costs associated

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with procuring a short-term contract, aligned to the City's requirements, with a service provider other than the existing vendors, were significantly higher.

With this understanding, SWS worked with Procurement to initiate the contract negotiation process with current vendors in order to confirm their interest in an additional two-year contract and obtain current vendor pricing estimates along with rationale for any cost increases, which were reviewed and validated by City staff.

Financial Implications

Financial Services staff was engaged to review the impact of the expected annual costs of a two-year contract on the overall Solid Waste Services Budget, as well as its impact on the average homeowner.

The financial impact of issuing short-term two-year curbside collection contracts, with everything else remaining equal, would increase total costs to the average single-family homeowner by approximately \$0.71/month in 2023 and another \$0.42/month in 2024, for a total of approximately \$13.60 over the two years of the contract. Overall, the contract cost increase for the proposed two-year contract is less than the contract increase incurred for the current short-term contract as detailed further in the discussion section of the report.

Based on the current market conditions for solid waste collection services, it is expected that under both a short-term and standard-term contract, contract costs will increase, primarily due to increased equipment and maintenance costs.

Aging fleet can contribute to increased downtime and potential service delivery delays to residents. The average industry lifespan of a solid waste collection vehicle is between five and seven years. Both service providers procured some new equipment in 2019 and to further mitigate risk and ensure service delivery standards remain high, both service providers have identified the need to secure more new equipment prior to the 2023 start date.

In order to service the next contract, the In-House Group Collection Group has identified the need to replace 22 collection vehicles as well as an additional two vehicles to account for recent growth in Zone 5. In accordance with the Procurement By-law, staff plan to issue a tender and award for the procurement of 24 collection vehicles, through

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either purchase or lease, to reduce costs and mitigate risk to the City over the term of the two-year contract. If the best option is to purchase these vehicles, funding will be requested as part of the 2022 budget process, in the 2022 Municipal Fleet Vehicle and Equipment Replacement and Growth Plan which is published as information supplemental to the budget. Funding for the 22 replacement vehicles would be identified and included through the 2022 Lifecycle Renewal Fleet capital budget, funded from the Fleet Vehicle Replacement Reserve Fund. While funding for the additional two growth vehicles would be identified and included in the 2022 Solid Waste Services Fleet - Growth capital budget, funded from the Solid Waste Capital Reserve Fund.

Given the factors outlined above, staff concur that the prices provided by current service providers through early negotiations are reflective of industry cost increases and are considered reasonable in comparison to the current market.

If approved by Council, the General Manager, Public Works and Environmental Services will work with Legal and Supply Services to negotiate, finalize and execute a new curbside collection contract with each of the current service providers as outlined in this report. Negotiations are expected to be finalized, with contracts awarded by Q3 2021. Once negotiations and execution of the contract are finalized, the General Manager, Public Works and Environmental Services will work with the CFO, Fleet and Supply Services to tender and award for the procurement of the 24 identified collection vehicles as outlined in this report.

Following the approval of this short-term approach, Solid Waste Services will initiate the planning and development of a more fulsome long-term procurement strategy for the next residential curbside collection contracts.

Consultation

Public consultation was not required as the recommendations outlined in this report will have no impact on the level of service provided to residents.

Staff provided an update on the 2023 Residential Curbside Contract Procurement Strategy to the Solid Waste Master Plan Council Sponsors Group on May 3, 2021. Staff also met with members of Standing Committee on Environmental Protection, Water and Waste Management (SCEPWWM) virtually to provide background and discuss

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approach of this report prior to the report being considered by SCEPWWM on June 29 and Council on July 7, 2021.

RÉSUMÉ

L'objectif de ce rapport consiste à demander de déléguer au personnel de la Ville les pouvoirs permettant de conclure, avec les entrepreneurs existants, un contrat à court terme de deux ans pour la collecte des déchets en bordure de rue, qui entrera en vigueur le 5 juin 2023.

La Ville d'Ottawa est responsable de la collecte en bordure de rue des matières recyclables dans les boîtes bleues et les boîtes noires, des matières organiques dans les bacs verts, des feuilles et des résidus de jardinage, des ordures ménagères et des articles encombrants auprès d'environ 294 000 résidences, conformément aux exigences et aux règlements d'application de la loi provinciale. La Ville assure aussi les services de collecte destinés à 190 établissements appartenant à la Ville, à 550 petites entreprises dans le cadre du Programme des [sacs jaunes](#) de la Ville et à environ 240 écoles qui participent au Programme municipal des [bacs verts dans les écoles](#).

Les services de collecte de la Ville d'Ottawa sont assurés conformément aux normes de service établies par le Conseil municipal et sont éclairés par la recherche menée par les Services des déchets solides, par les règles de l'art de l'industrie et par les lois provinciales prépondérantes.

Le contrat actuel de collecte en bordure de rue dans les zones résidentielles passé par les Services des déchets solides (SDS) se chiffre en moyenne à 44,6 millions de dollars par an pour la durée comprise entre le 1^{er} juin 2020 et le 4 juin 2023. Ce contrat est divisé en cinq zones, dont trois sont servies par Miller Waste Systems dans le cadre des négociations contractuelles de 2019 et deux sont servies par le Groupe interne de collecte des déchets de la Ville. Chaque entrepreneur ramasse les déchets dans des points de service dont le nombre est compris entre 54 000 et 65 000 dans chaque zone.

Le contrat est établi d'après les niveaux de service approuvés par le Conseil municipal en 2011, selon les modalités exposées dans le Rapport de l'examen des niveaux de service pour le programme de collecte des déchets solides ([ACS2011-ICS-ESD-0002](#)). Dans l'ensemble, ce contrat porte sur les services suivants :

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- des niveaux de service uniformes pour la collecte en bordure de rue sur tout le territoire de la Ville, dans les zones rurales comme dans les zones urbaines;
- la collecte hebdomadaire des bacs verts, notamment les feuilles et les résidus du jardinage;
- la collecte, toutes les deux semaines, des boîtes bleues et des boîtes noires, en alternance;
- la collecte des déchets ménagers toutes les deux semaines;
- un programme de collecte toutes les deux semaines pour les couches et les produits d'incontinence, en alternance avec la collecte des déchets.

Les contrats actuels de collecte des déchets en bordure de rue, qui sont entrés en vigueur le 1^{er} juin 2020, doivent arriver à expiration le 4 juin 2023. Compte tenu de cette date d'expiration et du long délai à compter pour acheter le nouvel équipement de collecte avant la mise en œuvre d'un nouveau contrat de collecte des déchets et des autres facteurs exposés ci-après, à la fin de 2020, le personnel des Services des déchets solides (SDS) a participé à des discussions de planification avec les principaux intervenants pour éclairer l'élaboration de la Stratégie de passation des contrats de collecte des déchets en bordure de rue 2023. Dans cette stratégie, on recommande que le Conseil municipal délègue, au directeur général de la Direction générale des travaux publics et de l'environnement (DGTPE), le pouvoir de négocier, de finaliser et de signer un contrat à court terme de trois ans pour la collecte des déchets en bordure de rue avec chacun des fournisseurs de services de collecte en bordure de rue existants. Pour veiller à ne pas interrompre les services offerts aux résidents, le Conseil municipal doit approuver cette approche d'ici le milieu de 2021 pour permettre de négocier et d'attribuer les contrats au plus tard au troisième trimestre de 2021 et d'acheter au besoin l'équipement de collecte.

En janvier 2021, le personnel de la Ville a lancé l'analyse des options pour connaître la meilleure approche à adopter dans l'attribution des contrats. Dans le cadre de cette analyse, le personnel a mené une analyse du contexte afin de recenser et d'évaluer les risques et les avantages de chacune des options par rapport au paysage législatif actuel.

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Dans la foulée de l'approche approuvée en 2019 par le Conseil municipal, d'après le calendrier de la transition en ce qui a trait au principe de la RIP, les travaux continus du Plan directeur de la gestion des déchets solides et la priorité donnée par le Conseil municipal au lancement de la mise en œuvre des stratégies de réacheminement des déchets dans le proche avenir, le personnel de la Ville était parfaitement conscient des risques liés au lancement d'un appel d'offres pour un contrat de collecte à durée standard, qui s'étendrait au moins jusqu'en 2028 pour la Ville.

Il fallait maîtriser les risques de la Ville du point de vue financier et opérationnel, ce qui était essentiel dans l'analyse, tout en veillant à offrir sans interruption aux résidents les services de collecte des déchets en bordure de rue au-delà du 4 juin 2023. Le lecteur trouvera ci-après les grandes considérations qui étayaient la recommandation du personnel et qui sont relevées dans cette analyse et que nous précisons dans la section Analyse du rapport :

- la transition avec le régime de la RIP pour le Programme des boîtes bleues du gouvernement provincial (qui comprend les programmes des boîtes bleues et des boîtes noires de la Ville);
- le calendrier de la mise en œuvre des changements apportés aux politiques et découlant du Plan directeur de la gestion des déchets solides;
- la chaîne logistique et les répercussions de la COVID-19.

En bref, dans le cadre du régime type des marchés attribués en régime de concurrence, les prochains contrats de collecte en bordure de rue s'étendraient au moins jusqu'en 2028. Cette date ultime dépasse largement les délais de transition prévus pour le principe de la RIP et le délai actuellement visé par le Conseil pour commencer à mettre en œuvre les stratégies de réacheminement des déchets déposés en bordure de rue et à produire les résultats du PDGDS.

En outre, compte tenu du délai qu'il faut compter pour l'ensemble du processus d'attribution des contrats, le personnel est d'avis que la Ville ne sera pas en mesure de lancer une demande d'offres ou de propositions bien informée dans un délai suffisant en prévision de la date du début des prochains contrats. Bien que l'on puisse intégrer, dans les contrats de collecte des déchets, un libellé précis pour tenir compte des changements comme le principe de la RIP, dans tous les cas où il y a de l'incertitude

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dans les contrats, par exemple la possibilité de retrancher un service ou d'apporter une modification à un service n'importe quand pendant la durée des contrats, il y a un risque pour l'entrepreneur, et ce risque est généralement répercuté sur la Ville dans une tarification qui est loin d'être optimale.

Un contrat à court terme avec les fournisseurs existants permettrait de maîtriser les risques et de prévoir du temps pour tenir compte des incidences de la RIP et du PDGDS, de minorer les risques financiers et opérationnels liés à la mise en œuvre d'un contrat à plus long terme à l'heure actuelle et de minorer le risque d'interruption des services offerts aux résidents en travaillant en collaboration avec des fournisseurs de services bien établis. En outre, cette option donnerait à la Ville un délai suffisant pour mettre au point une stratégie d'approvisionnement à long terme plus complète, qui tiendrait compte des incidences de la RIP et qui apporterait au Conseil municipal un maximum de souplesse pour mettre en œuvre des constatations découlant du PDGDS.

D'après les risques et les considérations évoqués ci-dessus, le personnel de la Ville recommande de conclure des contrats à court terme de deux ans pour la collecte en bordure de rue. Compte tenu des constatations dans le cadre du processus de la DDI en 2018, le marché a fait savoir qu'un contrat sans concurrence est l'option privilégiée pour conclure ce type de marché public. Le contrat à court terme sera attribué conformément à l'article 22(1)(d) du Règlement sur l'approvisionnement n° 50 de 2 000. Ce nouveau contrat sera attribué aux fournisseurs de services actuels selon des clauses et des conditions comparables à celles du contrat existant, pour assurer les services de collecte dans les cinq zones de ramassage en bordure de rue. Chaque fournisseur garderait sa zone de collecte actuelle.

Le personnel est d'avis que grâce à un contrat à court terme, la Ville sera en mesure de maîtriser les risques liés au prochain basculement dans le principe de la RIP, tout en donnant au Conseil municipal l'occasion de se pencher sur la mise en œuvre, avant 2025, des stratégies de réacheminement des déchets. Un contrat à plus court terme permettra aussi, lorsque le PDGDS aura été adopté, de mettre en œuvre plus rapidement la vision et l'orientation du Conseil municipal par rapport à un contrat de durée type qui n'arrive pas à expiration avant au moins 2028.

D'après le résultat de l'analyse, les Services des déchets solides ont fait appel aux Services juridiques et aux Services de l'approvisionnement pour mettre au point une

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stratégie de passation d'un contrat à court terme. Pour donner suite à la récente étude de marché et aux commentaires des Services de l'approvisionnement, on a déterminé que les constatations issues du processus de la DDI en 2018 sont toujours pertinentes, compte tenu de la conjoncture actuelle du marché. Ces constatations nous ont appris que le marché, hormis les fournisseurs de services dans le cadre des contrats existants, n'est guère intéressé par un contrat de collecte à court terme. En outre, les coûts liés à la passation d'un contrat à court terme, conforme aux exigences de la Ville, avec un fournisseur de services distinct des fournisseurs existants étaient nettement supérieurs.

C'est pourquoi les Services des déchets solides ont travaillé de concert avec les Services de l'approvisionnement pour entamer le processus de négociation d'un contrat avec les fournisseurs actuels afin de confirmer leur intérêt dans un autre contrat de deux ans et d'obtenir les estimations de prix des fournisseurs actuels, ainsi que la justification des hausses de coûts, que le personnel de la Ville a examinées et validées.

Répercussions financières

Nous avons fait appel au personnel de la Direction générale des services des finances pour revoir l'incidence des coûts annuels prévus d'un contrat de deux ans sur l'ensemble du budget des Services des déchets solides, de même que leurs répercussions sur le propriétaire moyen.

Financièrement, en données constantes, l'attribution de contrats à court terme de deux ans pour la collecte des déchets en bordure de rue aurait pour effet d'augmenter le total des coûts, pour le propriétaire d'une habitation unifamiliale moyenne, de l'ordre de 0,71 \$ par mois en 2023 et d'un supplément de 0,42 \$ par mois en 2024, soit un total d'environ 13,60 \$ sur la durée de deux ans des contrats. Dans l'ensemble, la hausse des coûts des contrats proposée pour deux ans est inférieure à la hausse des coûts engagés pour les contrats à court terme, selon les modalités précisées plus loin dans la section Analyse de ce rapport.

D'après la conjoncture actuelle du marché des Services de collecte des déchets solides, l'on s'attend à ce que dans le cadre d'un contrat à court terme et de durée fixe, les coûts du contrat augmentent, surtout en raison de la hausse des coûts de l'équipement et de l'entretien.

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Le vieillissement du parc automobile peut expliquer la hausse des temps d'arrêt et les retards potentiels dans les services offerts aux résidents. La durée utile moyenne, dans l'industrie, d'un véhicule de collecte des déchets solides est comprise entre cinq et sept ans. Les deux fournisseurs de services ont acheté de l'équipement neuf en 2019, et pour mieux maîtriser le risque et veiller à ce que les normes de services restent aussi rigoureuses, les deux fournisseurs de services ont constaté qu'il fallait acheter plus d'équipement neuf avant la date de mise en service en 2023.

Pour assurer le service dans le cadre du prochain contrat, le Groupe interne de la collecte des déchets a constaté qu'il fallait remplacer 22 véhicules de collecte et acheté deux autres véhicules pour tenir compte de la croissance récente dans la zone 5. Conformément au Règlement sur les approvisionnements, le personnel de la Ville prévoit de lancer un appel d'offres et d'attribuer le contrat pour l'acquisition de 24 véhicules de collecte, qu'il achèterait ou qu'il louerait, afin de réduire les coûts et de maîtriser le risque de la Ville pendant la durée de deux ans du contrat. Si la meilleure option consiste à acheter ces véhicules, nous demanderons le financement nécessaire dans le cadre du processus de budgétisation de 2022, dans le Plan de remplacement et de croissance des véhicules et de l'équipement du parc automobile municipal de 2022 qui est publié dans l'information complémentaire du budget. Le financement des 22 véhicules de remplacement serait défini et compris dans le budget des dépenses en immobilisations du parc automobile pour le renouvellement du cycle de la durée utile de 2022, financé grâce au Fonds de réserve pour le remplacement des véhicules du parc automobile. Le financement des deux autres véhicules à acheter pour tenir compte de la croissance serait indiqué et compris dans le budget des dépenses en immobilisations de la croissance du parc automobile des Services des déchets solides de 2022, financé à même le Fonds de réserve des dépenses en immobilisations des déchets solides.

Compte tenu des facteurs exposés ci-dessus, le personnel est d'accord pour dire que les prix proposés par les fournisseurs de services actuels dans les premières négociations correspondent aux hausses de coût de l'industrie et sont jugés raisonnables par rapport au marché actuel.

Si le Conseil municipal donne son approbation, le directeur général de la Direction générale des travaux publics et de l'environnement travaillera en collaboration avec les Services juridiques et les Services de l'approvisionnement pour négocier, finaliser et

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signer un nouveau contrat de collecte en bordure de rue avec chacun des fournisseurs de services actuels selon les modalités exposées dans ce rapport. On s'attend à ce que les négociations soient finalisées et à ce que les contrats soient attribués d'ici au troisième trimestre de 2021. Lorsque les négociations et les contrats sont finalisés, le directeur général de la Direction générale des travaux publics et de l'environnement travaillera en collaboration avec la cheffe des finances, les Services du parc automobile et les Services de l'approvisionnement afin de lancer l'appel d'offres et d'attribuer le contrat pour les 24 véhicules de collecte recensés selon les modalités exposées dans ce rapport.

Lorsque cette approche à court terme aura été approuvée, les Services des déchets solides entameront la planification et l'élaboration d'une stratégie d'approvisionnement à long terme plus complète pour les prochains contrats de collecte des déchets résidentiels en bordure de rue.

Consultation

Il n'a pas été obligatoire de mener une consultation publique, puisque les recommandations exposées dans ce rapport n'auront aucune incidence sur le niveau de services offert aux résidents.

Le 3 mai 2021, le personnel de la Ville a adressé un compte rendu sur la Stratégie d'approvisionnement pour les contrats de collecte des déchets résidentiels en bordure de rue de 2023 au Groupe des conseillers parrains du Plan directeur de la gestion des déchets solides. Le personnel de la Ville prévoit aussi de se réunir en virtuel avec les membres du Comité permanent de la protection de l'environnement, de l'eau et de la gestion des déchets (CPPEEGD) pour définir le contexte et discuter de l'approche à adopter pour donner suite à ce rapport avant qu'il soit étudié par le CPPEEGD le 29 juin 2021 et par le Conseil municipal le 7 juillet 2021.

BACKGROUND

The City of Ottawa is responsible for the curbside collection of blue and black box recyclables, green bin organics, leaf and yard waste, garbage, and bulky items from approximately 294,000 residential homes, as required and regulated by provincial legislation. The City also provides collection services to 190 City-owned facilities, 550

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small businesses through the City's [Yellow Bag](#) program, and approximately 240 schools with green bin collection through the City's [Green Bins in Schools](#) program.

Collection services for the City of Ottawa are delivered in accordance with the service standards established by Council which, in turn, are informed by Solid Waste Services led research, industry best practices and overarching provincial legislation.

The current Solid Waste Services residential curbside collection contract is worth on average approximately \$44.6 million per year for the term between June 1, 2020 and June 4, 2023. The contract is divided into five zones, three of which are serviced by Miller Waste as a result of the 2019 contract negotiations and two that are serviced by the City's In-House Collections Group. Each contractor collects waste from between 54,000 and 65,000 service locations per zone.

The contract is based on service levels approved by Council in 2011 as outlined in the Solid Waste Service Level Review report ([ACS2011-ICS-ESD-0002](#)). At a high-level, these services include:

- Uniform curb side collection service levels across the city, both rural and urban;
- Weekly Green Bin collection, including leaf and yard waste;
- Bi-weekly collection of Blue and Black Box on alternating weeks;
- Bi-weekly garbage collection; and
- Bi-weekly collection program for diapers and incontinence products, alternating with the garbage collection.

Curbside Collection Contract History

In 1998, the former Regional Council established a "Managed Competition Protocol" for waste collection services to provide both accountability and transparency that could allow for an in-house team to participate and submit bids for residential waste collection services for the Region.

In 1999, the former Region's In-House Collections Group competitively bid on the residential waste collection contract and was awarded one zone. The In-House

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Collections Group successfully serviced this zone between June 7, 1999 and May 31, 2006, while the remaining zones were serviced by the private sector.

The “Managed Competition Protocol” was carried forward through amalgamation in 2000. Ahead of procuring the next residential curbside collection contract, the City of Ottawa hired an independent consulting company (P3 Advisors) to develop and document “the Solid Waste Collection Services Guidelines for the In-House Bid Process”, consistent with the 1998 “Managed Competition Protocols”. The objectives of these guidelines were to ensure a fair, open and competitive process for all bidders, while continuing to allow the City of Ottawa’s In-House Collections Group to participate in the procurement process for its waste collection contracts.

In June 2005, these guidelines were approved by Council as documented in the Solid Waste Services – Collection Contracts: In-House Bid-Authority – Managed Competition report ([ACS2011-ICS-ESD-0002](#)) prior to issuing a request for tender (RFT), through the managed competition process. It is this process and the involvement of the In-House Collections Group, that requires Council consideration of the procurement process for the residential curbside collection contracts to date.

Through the 2005 tender process, the City’s In-House Collections Group was awarded Zone 3 by City Council as outlined in the Solid Waste Residential Curbside Collection report ([ACS2005-PWS-UTL-0029](#)). The additional zones were serviced by the private sector from June 1, 2006 to October 27, 2012.

In August 2011, Solid Waste Services (SWS) sought Council approval to initiate a managed competition process and establish an in-house bid team in accordance with the previously approved Guidelines. As outlined in the Solid Waste Services Collection Contracts: In-House Bid Authority Managed Competition report ([ACS2011-ICS-ESD-0040](#)), Council also approved staff’s recommendation to award Zone 3 (the downtown core) to the In-House Collections Group without competition. This recommendation was based on criteria that included significant operational and financial efficiencies and consistently demonstrated high service delivery levels in the downtown core – the City’s most operationally challenging zone.

Following this approval, the City issued a tender for the remaining four zones. Bids for these zones were submitted by both the private sector and the City’s In-House

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Collections Group, reviewed by staff and awarded as outlined in the Solid Waste Curbside Collection and Services (Tender RFT 01811-91027-T01) report ([ACS2011-ICS-ESD-0045](#)). The City's In-House Collections Group was awarded Zones 3 and 5, while the private sector serviced the remaining zones for the contract that began on October 29, 2012.

In 2015, the Ontario government began introducing major policy changes to its approach to waste management and waste diversion. Provincial legislation provides the overarching framework and direction for how municipalities within Ontario must manage their solid waste. As a result, it was anticipated that these changes would have significant impacts on several of the City's waste management policies and programs, including the residential waste curbside collection contracts.

In February 2016, City Council as part of its consideration of the "Comments on the Proposed Waste-Free Ontario Act and Draft Strategy for a Waste Free Ontario: Building Circular Economy" report ([ACS2016-COS-ESD-0004](#)), delegated the authority to staff to extend the current curbside collection contract until May 31, 2021.

Specifically, as outlined in the 2016 report, there were many unknowns for municipalities with respect to what was, at the time, draft legislation, including:

- No defined municipal role in the proposed provincial recycling collection and processing regime or the transition to this new approach; and,
- No guarantees with respect to maintaining existing municipal service levels or consistent service across the province.

Additional concerns with the draft legislation, as noted by staff in the report, included:

- Impacts to the City's waste collection contracts due to the co-collection of green bin organics and blue and black box materials in the same vehicle; and
- A loss in cost savings and efficiencies associated with the alignment of the residential recycling collection program to the recyclables collected under the City's Yellow Bag program and from City facilities.

As further detailed in the report, when it came time to consider the procurement strategy for the next residential curbside collection contract, the legislation was still in draft form

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and impacts to collection contracts were not clearly understood. Based on information available at the time, it was staff's opinion that entering into a standard-term collection contract (five years plus two one-year extensions), through a competitive process, would expose the City to significant financial and operational risks.

Although the City was authorized to extend the contracts for an additional two years, contract extensions were only executed for an additional one year, to May 31, 2020. This was due to the fact that, based on contract negotiations, some vendors sought out pricing increases beyond what was permitted under the terms and conditions of the contract.

In June 2016, the [Resource Recovery and Circular Economy Act, 2016 \(RRCEA\)](#) and the [Waste Diversion Transition Act, 2016](#) were enacted. These acts established an Individual Producer Responsibility (IPR) framework in Ontario which requires producers to be responsible for their products and packaging, and accountable for recovering resources and diverting their materials from landfill. Messaging surrounding the new legislation further signalled that operational flexibility would be achieved throughout the province by allowing Ontario municipalities to determine if, or to what degree, they want to remain involved in the collection and processing of the designated waste materials, as well as provide financial savings by eliminating the current 50/50 funding arrangement between municipal governments and producers and moving to a model funded 100 per cent by producers. Although implementation details were still not available at the time, staff remained cautiously aware of the impacts that this transition would potentially have on the City's existing waste collection programs and contracts.

In 2017, based on outcomes from the 2016 contract negotiations and on-going legislative uncertainty surrounding the transition to IPR, SWS staff engaged in planning and analysis activities to develop a procurement strategy for the residential curbside collection contracts targeted to begin on June 1, 2020. Shortly thereafter, SWS initiated the Solid Waste Master Plan (SWMP) project, which, when complete, will provide the framework for managing solid waste at the City over the next 30 years.

In June 2018, there was a change in provincial government that resulted in further legislative changes and uncertainties with regards to waste legislation and the direction the new Provincial government would take. As a result, staff identified several risks associated with issuing a standard term contract through a competitive process. Based

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on the risk assessment and guidance from Supply Services, staff issued a Request for Information (RFI) to determine market capacity and interest in a short-term, three-year contract that would help to mitigate identified risks until the details of the transition to IPR for Ontario's Blue Box Program (which includes Ottawa's Blue and Black box programs) could be understood with the release of the final regulations by the Province.

In April 2019, based on the results of the RFI and recommendations outlined in the Solid Waste Residential Collection Contracts Renewal report ([ACS2019-PWE-GEN-0001](#)), Council delegated authority to staff to negotiate, finalize and execute a three-year curbside collection contract with each of the existing curbside collection service providers, including the In-House Collections Group. This was the recommended approach to mitigate risks around anticipated changes related to IPR, which by every indication given by the Province, was targeted to be more clearly understood by early 2021 at the latest.

Through this process, contracts were negotiated and awarded to each of the existing vendors, with the exception of Zone 1, which was awarded to Miller Waste under delegated authority ([Motion No. 19/7](#)) as a result of financial risks identified through negotiations with the incumbent service provider at the time. The contracts were issued under similar terms and conditions as the previous contract, with amendments made to mitigate risks to the City with regards to aging fleet and rising fuel costs. This current contract began on June 1, 2020 and expires on June 4, 2023.

On October 19, 2020, the Ministry of the Environment, Conservation and Parks (the Ministry) released a draft regulation detailing the transition of the current Provincial Blue Box Program to a producer responsibility model over a three-year period, from 2023 to 2025. At a high-level, the draft legislation set out the framework and timelines associated with the proposed transition of Ontario's Blue Box Program targeted to take place between 2023 and 2025, with Ottawa expecting to transition by mid-2023.

As part of the Blue Box Program transition to IPR, the City of Ottawa could continue to provide collection services for recyclable materials on behalf of producers, if the producers go to the open market for service and if the City was successful in bidding on providing the service. Alternatively, the City could decide to transition out of collection services, leaving producers with the full responsibility to collect the City's blue and black box materials designated in the regulation. However, under the regulation,

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municipalities are not provided with the first right of refusal, which means that if a municipality is interested in continuing to provide collection and/or processing services on behalf of producers, they will be expected to competitively bid along with the private sector to provide these services. Should the City opt to act as a service provider on behalf of the producers for the collection of recyclable materials, contract terms would need to be negotiated with producers to ensure fair compensation for the City's services and to ensure that service standard levels are maintained for residents. Should the City decide to opt out as a service provider for the collection of recyclable materials, the removal of recycling from the curbside and multi-residential collection programs would impact how all other waste collection contracts will be executed (namely, garbage and organics) due to the highly integrated nature of the its waste collection system. In order to ensure a successful transition to IPR, staff continue to review the costs and benefits of the two primary future scenarios: to continue providing collections of recyclable materials under contract to producers; or not. These options and their impacts to the City continue to be analyzed.

DISCUSSION

The purpose of this report is to seek delegated authority for staff to enter into a short-term, two-year residential curbside collection contract with each of the existing service providers as described in the sections that follow.

Two-Year Sole-Source Contract Procurement Approach

The current curbside collection contracts began on June 1, 2020 and are set to expire on June 4, 2023. Given this expiry date and the extensive lead time required to procure new collection equipment prior to implementing any new collection contract, in late 2020, Solid Waste Services (SWS) staff engaged in planning discussions with key stakeholders to inform the development of the 2023 Residential Curbside Collection Contract Procurement Strategy. This strategy is recommending that Council delegate the authority to the General Manager of the Public Works and Environmental Services Department (PWES) to negotiate, finalize and execute a short-term, two-year curbside collection contract with each of the existing service providers. In order to ensure no service disruptions to residents, Council approval of this approach is required by mid-2021 so that contracts can be negotiated and awarded by Q4 2021 and collection equipment can be procured as required.

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In January 2021, staff began an options analysis to determine the best procurement approach moving forward. As part of this analysis, staff completed an environmental scan in order to document and evaluate the risks and benefits associated with each option against the current legislative landscape.

Similar to the 2019 Council approved approach, based on the timing of the transition to IPR, the ongoing work of the SWMP and Council's priority to start implementing waste diversion strategies in the near future, staff were mindful of the risks associated with issuing a tender for a standard term collection contract that would carry the City into at least 2028.

Critical to the analysis, was the need to mitigate risks to the City from both a financial and operational perspective, while ensuring that curbside collection services to residents continue without disruption, beyond June 4, 2023. Key considerations that support staff's recommendation identified through this analysis are listed below and further detailed in the sub-sections that follow:

- Transition to IPR for the Provincial Blue Box Program (which includes Ottawa's Blue and Black box programs)
- Timing to implement policy changes from the SWMP
- Supply chain and COVID-19 impacts

Transition to IPR for the Provincial Blue Box Program

As outlined above and in the 2019 Solid Waste Residential Collection Contracts Renewal report ([ACS2019-PWE-GEN-0001](#)), staff identified a number of operational and financial risks related to procuring a standard term contract in light of unknown IPR impacts on the City's curbside collection contracts. These risks, which have been consistently communicated with Council since 2016, continue to be analyzed by staff to be more clearly understood.

Throughout 2020, the Ministry of the Environment, Conservation and Parks (the Ministry) advised Ontario municipalities that the final Blue Box transition to IPR regulation would be released in early 2021, with implementation beginning in 2023. On June 3, 2021, the final regulation was released by the Ministry. Key milestones and

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deadlines contained in the draft regulation have shifted which continues to impact the ability of the City to make a reasonable assessment with respect to a long-term procurement of the implications in sufficient time to inform a long-term contract strategy. As further detailed in the next section, staff must complete the procurement process in the early Fall in order to be able to procure the required vehicles in time for the next contract term, set to begin on June 5, 2023.

As previously mentioned, if the City decides to opt out of the recycling collection business as part of the transition to IPR, the removal of recycling from its collection programs is expected to impact portions of multiple City-managed waste collection contracts due to the highly integrated nature of the City's waste collection system. Collection programs currently integrated into different City contracts include: recycling collected at City facilities and parks as part of the ongoing pilot program, recycling collected from the on-street waste receptacles in the downtown core, and from small businesses included in the City's Yellow Bag program. As such, a key consideration for the City will be how to understand the financial implications as well as all possible options to continue providing recycling services for these programs which currently reap efficiencies from being collected under existing City-managed collections contracts. It is unknown if producers will consider entering into a full cost recovery agreement with municipalities to provide collection and processing services for these programs, which will potentially allow municipalities to benefit from greater economies of scale.

Further, the processing of the materials collected through the City's recycling program could also be impacted based on the direction producers decide to take from a material processing perspective. The processing and marketing of the City's recyclable materials is currently contracted out to Cascades Recovery, who owns and operates the Municipal Recycling Facility accessed by service providers under the City's residential curbside collection contract. The final extension under the current processing contract aligns with the City's targeted IPR transition date of Q2 2023. The City has authority to negotiate a two-year contract extension with Cascades, as required to align with the recommended curbside collection contract approach outlined in this report. It is anticipated that this contract could be negotiated with the current service provider, under the current terms and conditions.

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SWS staff remain actively engaged with other municipalities directly and through organizations such as the Association of Municipalities of Ontario (AMO), the Association of Municipalities of Ontario Municipal 3Rs Collaborative (M3RC), and the Regional Public Works Commissioners of Ontario (RPWCO) to stay apprised of legislative updates and timelines and, as a way to advocate on behalf of the City together with municipalities across Ontario.

Staff are also actively participating as key stakeholders in IPR transition working groups established by the Continuous Improvement Fund (CIF) aimed to provide targeted support to help municipalities develop robust transition plans aligned to the requirements set out by the draft regulations. Working group meetings kicked off in May 2021 and include a group focused specifically on pre-transition and post-transition contract support. Staff plan to leverage information received through this working group to inform the contract strategy both leading up to and following the City's anticipated transition to IPR.

With the final regulation now in hand, staff will develop a strategy for Council consideration and direction on how to proceed with collection services under the upcoming IPR transition. However, based on the timelines within the regulation, staff continue to recommend a two-year short-term contract to allow a fulsome analysis to be complete that will ensure the City is well-positioned for a financially optimal and operationally smooth transition of the Blue Box program to IPR.

Timing to Implement Policy Changes from the Solid Waste Master Plan

The second consideration in the analysis of potential procurement strategies is the progress and timelines associated with the Solid Waste Master Plan (SWMP) and flexibility for Council to consider and implement outcomes from this plan earlier than what a standard contract term would allow for, given that these outcomes will not be known in time to include in the next contract.

In early July, Council will consider the Solid Waste Master Plan Phase 2 report – Where Are We Going, which will recommend the vision statement, guiding principles and goals of the plan. The report will inform Council about the City's future waste management needs, gaps, constraints and opportunities and provide a long list of options to address these needs. It will also outline the evaluation process which will be used to assess the

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long list of options to identify two waste management systems for community and stakeholder consultation. Staff will return to Council by early Q2 2022 to present the Draft Strategy and 5-Year Implementation Plan for the SWMP, which will undergo an additional round of community and stakeholder engagement before being tabled for final consideration early into the next term of Council, in Q1 2023.

Further to information previously provided to Council, as a component project of the Solid Waste Master Plan, staff are undertaking a detailed analysis of Curbside Diversion Options identified through the Solid Waste Master Planning process that will support reducing garbage sent to the Trail Waste Facility and increasing residential waste diversion from curbside households. Recognizing that it can take up to two years to implement a new diversion option after Council's approval, staff are advancing work on this component project, including community and stakeholder engagement, to ensure the timely implementation of any new policy options. Advancing work on this aligns with Council's Strategic Priorities, including its interest to support increasing waste diversion from the Trail Waste Facility Landfill and work towards achieving targets set through Council's Climate Change Master Plan and Energy Evolution strategy. Engagement on Curbside Diversion Options will commence next month, and a recommendation will be presented to Council for consideration in Q1 2022.

As outlined in the 2019 report ([ACS2019-PWE-GEN-0001](#)), the current three-year collection contract allows Council the flexibility to implement the service levels it identifies through the Solid Waste Master Planning process in this term of Council, should it choose to do so. Initiating a short-term, two-year collection contract will still allow Council to consider a curbside waste policy to support increasing curbside waste diversion while the City waits for further clarity from the Province on IPR. Pending Council's direction to implement any of these changes, updates may be required to the City's [Solid Waste Management By-law \(No. 2012-370\)](#).

Supply Chain & COVID-19 Impacts

The third identified key consideration was the evaluation of the impact that the COVID-19 pandemic has had on both the waste collection industry and the supply chain as a whole. As of March 2020, many residents started working from and spending more time at home. The ongoing pandemic has had an impact on resident behaviour, including waste generation and diversion. As reported in the recently approved Source Separated

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Organics Update report ([ACS2021-PWE-SWS-0001](#)), the City has seen a volumetric shift in waste from the industrial, commercial and institutional (IC&I) sector to the residential sector with more residents working remotely and disposing of more waste at home instead of in the workplace. While this shift could have long-term impacts on the City's current waste collection system, it is too soon to tell. Staff have initiated collection modeling work and will continue to analyze the recent impacts to the waste collection system in order to make recommendations on updates or changes required ahead of the next competitively issued curbside collection contract.

A final consideration is the timing of the request for Council approval of delegated authority to negotiate the 2023 contracts. Traditionally, the industry supply chain has had a 12 to 18-month lead time for the procurement of collection vehicles. However, the current global pandemic has significantly impacted manufacturing in many industries causing longer lead times for procured equipment. Given the significant time needed to procure waste collection equipment and the potential for additional delays, staff are seeking approval from Council in order for contract negotiations to take place over the summer months. This approach will mitigate the risk of potential equipment delays and service disruptions, by allowing contracts to be awarded as soon as possible, in order to start the equipment procurement process.

In summary, the standard competitive contract approach would mean the next curbside collection contracts would carry through until at least 2028. This end date is well beyond the anticipated IPR transition timelines and well beyond the timeframe currently targeted by Council to start implementing curbside diversion strategies, and desired outcomes from the SWMP.

Further, considering the lead time required for the overall contract procurement process, it is staff's position that the City will be unable to issue a well-informed request for tender or proposal with sufficient time ahead of the next contract start date. Although specific language can be built into a collection contract to address provincial changes like IPR, any time uncertainty is introduced into a contract, such as the potential for carving out a service, or making a change to a service at any point during the contract term, it introduces risk to the contractor, and this risk is typically transferred to the City through less than optimal pricing.

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A short-term contract with existing vendors would mitigate risks and allow time to consider the implications of IPR and the SWMP, minimize the financial and operational risks associated with implementing a longer-term contract at this time, and minimize the risk of service disruptions to residents by working with well-established service providers. Furthermore, this option would provide the City with sufficient time to develop a more fulsome long-term procurement strategy that considers the impacts of IPR and provides Council with maximum flexibility to implement findings from the SWMP.

Options Analysis Summary

As detailed above, staff assessed various business impacts, associated risks, and benefits of a two-year short-term, sole-source contract versus a standard five-year competitive contract, with the option to extend by two additional one-year periods. The details of this analysis based on each of the options considered by staff are summarized in the table that follows:

Option 1: Standard Five-Year Competitive Contract (with Two One-Year Extension Options)

Description	Benefits	Risks
<p><u>Contract Term:</u> Standard five-year contract term, with two one-year extension options)</p> <p><u>Target Contract Dates:</u> June 1, 2023-June 4, 2028 (up to Jun 2, 2030)</p> <p><u>Procurement Approach:</u> Request for Tender (RFT) or Request for Proposal (RFP) via Managed Competition</p>	<ul style="list-style-type: none"> • Provides the most flexibility to make contract amendments or changes • The ability to include clauses in the contract to allow for transitioning over the recycling program to producers to mitigate some of the uncertainties • Pricing is obtained through a competitive process, therefore considered the best available at the time the work is tendered 	<ul style="list-style-type: none"> • Being locked into a longer-term contract may preclude Council from implementing preferred options not yet identified or approved through the completion of the SWMP, until 2028 at the earliest including: <ul style="list-style-type: none"> ○ operational and system efficiencies ○ service level changes and enhancements ○ waste diversion targets ○ new data and reporting measures • IPR timelines do not currently position the City well to issue an informed tender, creating significant operational and financial risks including:

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<p><u>Approval Process:</u></p> <p>Two-step Council approval:</p> <ol style="list-style-type: none">1. Approval to initiate Managed competition process and establish in-house bid team2. Contract Awards based on RFT/RFP results		<ul style="list-style-type: none">○ Potentially higher costs spread over a five-year period○ A service contract that no longer meets City requirements● Potential for equipment delays and service disruptions
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Option 2 (Recommended): Two-Year Sole Source Contract

Description	Benefits	Risks
<p><u>Contract Term:</u></p> <p>Two-year contract term, with existing vendors and service levels</p> <p><u>Target Contract Dates:</u></p> <p>June 1, 2023-June 8, 2025</p> <p><u>Procurement Approach:</u></p> <p>Sole source in accordance with section 22(1)(d) of the <i>Procurement By-Law</i> based on:</p> <ul style="list-style-type: none"> ○ 2018 RFI 	<ul style="list-style-type: none"> • Alignment with the anticipated full provincial transition to IPR in 2026, while providing flexibility to make earlier contract amendments if required • Allows enough time to procure new collection equipment, mitigating service disruptions • Known financial impact for curbside residents, based on recent vendor cost-estimates • Provides more time to consider implications of IPR and the Solid Waste Master Plan (SWMP), providing Council with flexibility to consider implementing curbside diversion options 	<ul style="list-style-type: none"> • Any major changes stemming from the Curbside Diversion Options or SWMP that Council wishes to make would need to wait until June 2025 • Potential for some operational and financial risks associated with IPR including: <ul style="list-style-type: none"> ○ Contract modifications if IPR transition impacts blue and black box collections prior to 2025 ○ No added benefit to short-term approach, compared to standard approach, should the City retain full or partial provision of collection of recyclables, once IPR impacts are known ○ Continued lack of IPR clarity

<ul style="list-style-type: none"> ○ Current Market Analysis <p><u>Approval Process:</u></p> <p>One-step Council approval:</p> <ul style="list-style-type: none"> ○ Delegated authority for staff to negotiate, finalize and execute short-term contracts with existing vendors, within approved budget estimate 	<ul style="list-style-type: none"> ● Allows for earlier implementation of preferred options identified through the completion of the SWMP, compared to a standard five-year contract term ● Provides sufficient time to explore and develop a more fulsome procurement for the next collection contracts 	<p>when it comes time to procure the next collection contract in 2023.</p> <ul style="list-style-type: none"> ○ Cost impacts compared to a five-year competitive bid, while they could be higher, are unknown.
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Based on the risks and considerations noted above, staff are recommending entering into a two-year, short-term curbside collection contract. Given the findings of the 2018 RFI process, the market has indicated that a non-competitive contract is the preferred option available to secure such a contract. The short-term contract will be awarded per section 22(1)(d) of the [Procurement By-Law No. 50 of 2000](#). This new contract will be issued to the current service providers under similar terms and conditions as the existing one, supplying collection services in all five curbside zones. Each vendor would retain their current collection zone.

It is staff's opinion that a short-term contract will position the City to mitigate the risks associated with the pending shift to IPR while also providing Council with the opportunity to consider implementing waste diversion strategies prior to 2025. A shorter-term contract will also offer the potential, once the SWMP is adopted, to implement Council's vision and direction more quickly compared to a standard term contract that would not expire until at least 2028.

Procurement Strategy and Overview

Based on the outcome of the analysis, SWS engaged Legal and Supply Services to help develop a short-term contract procurement strategy. Based on recent market research and input from Supply Services, it was determined that findings from the 2018 RFI process are still relevant given the current market conditions. These findings indicated that there is little interest in the market, outside of the existing contract service providers, to enter into a short-term collection contract. Further, the costs associated with procuring a short-term contract, aligned to the City's requirements, with a service provider other than the existing vendors, were significantly higher.

With this understanding, SWS worked with Supply to initiate the contract negotiation process with current vendors in order to confirm their interest in an additional two-year contract and obtain current pricing estimates along with rationale for any cost increases, which were reviewed and validated by City staff.

Financial Services staff was engaged to review the impact of the expected annual costs of a two-year contract on the overall Solid Waste Services Budget, as well as its impact on the average homeowner.

Table 1 depicts the estimated financial impact of the contract, based on the prices submitted by vendors through the procurement process to date, subject to Council's approval. To summarize, the financial impact of issuing short-term two-year curbside collection contracts, with everything else remaining equal, would increase total costs to the average single-family homeowner by approximately \$0.71/month in 2023 and another \$0.42/month in 2024, for a total of approximately \$13.60 over the two years of the contract. Overall, the contract cost increase for the proposed two-year contract is less than the contract increase incurred for the current short-term contract as outlined below.

Table 1: Estimated Costs of Two-Year Contract

Current Contract Cost Year 3 (in 000's)	Short-Term Contract Cost Year 1 (in 000's)	Short-Term Contract Increase Year 1 (in 000's)	Short-Term Contract Cost Year 2 (in 000's)	Short-Term Contract Increase Year 2 (in 000's)
\$47,262	\$52,410	\$5,148	\$53,416	\$1,006
	% increase over Year 3 of Current Contract	10.9%	% Increase over Year 1 of Short-Term Contract	1.9%

Market Conditions Affecting Contract Costs

Based on the current market conditions for solid waste collection services, it is expected that under both a short-term and standard-term contract, costs will increase. Based on this market research as well as rationale provided by vendors and validated by City staff, cost increases can be attributed to several factors including:

- A shift in waste tonnages from the (IC&I) to residential sector;
- Household growth throughout the City;

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- Labour increases;
- Increased vehicle maintenance costs;
- Fuel costs;
- Vehicle amortization; and
- Insurance premium escalation in a high-risk industry.

As mentioned previously, through the COVID-19 pandemic, waste collectors across the Province have experienced an increase in tonnages across all residential waste streams, likely attributed to the shift of IC&I waste to residential waste as a result of many people now working from home. With no return to work approach in place as of yet across the Province, and the ability for many to continue to work from home, residential waste tonnages could remain at these higher levels across the City for the term of the next collection contract. Through discussions with current service providers, this was a factor considered in developing the short-term contract pricing.

Another driver of cost increase, and the most significant, is vehicle capital cost and maintenance. The average industry lifespan of a solid waste collection vehicle is between five and seven years. As these large and heavily used vehicles age, maintenance costs are unpredictable and can increase exponentially. When entering into a collections contract, the service providers must balance the rising costs of an aging fleet with the amortization period for any capital investment in new vehicles. To help mitigate rising maintenance costs related to the current contract, both service providers procured some new equipment in 2019. This newer equipment will continue to be used throughout the proposed two-year contract and will help mitigate both fleet maintenance costs related to older vehicles as well as additional capital costs that would be incurred if the City were to issue a short-term contract to a new service provider.

Aging fleet can contribute to increased downtime and resulting service delivery delays to residents. As a result, to mitigate this risk and to ensure service delivery standards remain high, both service providers have identified the need to secure some new equipment prior to the 2023 start date.

Implications of a Two-Year Contract on the City's In-House Collections Group

As mentioned above, while there are budget implications to the In-House Collections Group if Council approves the short-term, two-year contract, these pressures are significantly reduced, compared to the current contract.

The City's In-House Collections Groups have a current inventory of 53 vehicles, including 19 vehicles that were procured in 2019 to service the current contract. The capital costs for this equipment are reflected in the cost increases of the current contracts. This equipment will still be relatively new in 2023, which is anticipated to help mitigate both fleet capital and maintenance cost increases over the course of the proposed two-year contract. In order to service the next contract, the In-House Collection Group has identified the need to replace 22 collection vehicles as well as an additional two vehicles to account for recent growth in Zone 5. It is anticipated that the replacement of these 22 aging vehicles will significantly reduce maintenance costs that are currently forecasted in year three of the current contracts. Funding required for these vehicles will be brought forward as part of the 2022 Municipal Fleet Vehicle and Equipment Replacement and Growth Plan, tabled as information supplementary to the budget, this Fall.

Based on Council approval of the two-year contract approach, staff, will issue a tender and award for the procurement of the 22 replacement vehicles and 2 additional growth vehicles, in accordance with the Procurement By-law. Ahead of procuring these 24 required vehicles, staff will consider both lease and purchase options in order to consider anticipated IPR impacts and determine the best option moving forward; one that will minimize cost and reduce risks to the City over the term of the next contract. If it is determined that purchasing the 22 replacement vehicles is the best path forward, funding will be requested from the 2022 Lifecycle renewal Fleet capital budget, funded from the Fleet Vehicle Replacement Reserve Fund. Similarly, if it is determined that purchasing the two growth vehicles is the best path forward, funding will be requested from the 2022 Solid Waste Fleet - Growth capital budget, funded through the Solid Waste Capital Reserve Fund as part of the 2022 budget submission this Fall.

Last years Financial Statements for In-house Solid Waste Collection – External Audit Results 2020 report ([ACS2020-PWE-SWS-0003](#)) reported on a deficit in both zones due to increased labour, fuel and fleet costs. With year one of the current contract just

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completed, although financial analysis is not yet complete, it appears that both Zone 3 and 5 will end up in a surplus position in year one of the three-year short-term contract. The confirmed results and financial analysis of the zones serviced by the In-House Collections Group under the current contract will inform the annual report targeted for consideration by Council in Q4 2021.

Staff have advised the Union representing the In-House Collections Group, CUPE 503, of their intention to issue short-term contracts, pending Council approval, and they have been receptive to this proposal.

Given the factors outlined above and the results of the 2018 RFI process, staff concur that the prices provided by current service providers through early negotiations are reflective of industry cost increases and are considered reasonable in comparison to the current market. Pending Council direction, SWS staff, will work with Legal and Supply to finalize and execute the short-term, two-year contracts aligned to the cost increases summarized above and detailed further in the Financial Impact section of the report below.

Next Steps

If approved by Council, the General Manager, Public Works and Environmental Services will work with Legal and Supply Services to negotiate, finalize and execute a new curbside collection contract with each of the current service providers as outlined in this report. Negotiations are expected to be finalized, with contracts awarded by Q3 2021. Once finalized, the General Manager, Public Works and Environmental Services will work with the Chief Financial Officer, Fleet and Supply Services to tender and award for the procurement of the 24 identified collection vehicles as outlined in this report. If the decision is made to purchase new vehicles, staff will seek funding from the 2022 Solid Waste Fleet - Growth capital budget, funded from the Solid Waste Capital Reserve Fund and the 2022 Fleet capital budget, funded from the Fleet Vehicle Replacement Reserve Fund, as part of the 2022 budget deliberations this Fall.

If Council does not approve staff's recommendation as outlined in this report, the alternative approach would be for the City to issue a competitive procurement process for the three zones currently serviced by the private sector, and to negotiate directly with the In-House Collections Group for the two zones serviced internally. The contracts

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would be procured for a standard five-year term (with two one-year extension options) and would include more detailed provisions to mitigate risks to the City associated with the pending transition to IPR. Given that there would not be sufficient time to complete a fulsome service level review, the contracts would be based on current service levels, as approved by Council in 2011. To move forward with this approach, staff would require Council approval to directly negotiate with the In-House Collections Group to enter into a sole-source agreement for the service in Zones 3 and 5.

To mitigate potential equipment delays and service disruptions resulting from this longer procurement process, Council would need to delegate the authority staff to negotiate a short-term extension to the current contract, up to a maximum of one year, based on staff's discretion. This contract extension would be negotiated with the existing service providers, under the current terms and conditions to align with a new contract start date that would provide enough time for equipment procurement following the contract award.

As previously mentioned, pending Council approval of the SWMP Phase 2 report, staff anticipate bringing forward a Draft Solid Waste Master Plan and 5-Year Implementation Plan by early Q2 2022 for Council consideration. Any targets or outcomes set out by the Plan will be considered in the overall procurement strategy for the City's next residential curbside collection contracts. To bring forward curbside diversion strategies for short-term consideration by Council, staff will continue to work on the Curbside Diversion Options analysis as a component project to the SWMP. SWS will also continue to explore innovative solutions that support continuous improvement of the City's waste collection operations, keeping Council informed as required.

The next procurement strategy will also give consideration to broader City-wide and initiatives such as the recently approved Climate Change Master Plan – Energy Evolution: Ottawa's Community Energy Transition Strategy Final Report ([ACS2020-PIE-EDP-0036](#)), looking at ways to further reduce GHG emissions generated through the City's waste collection programs and service contracts.

Following the approval of this short-term approach, Solid Waste Services will initiate the planning and development of a more fulsome long-term procurement strategy for the next residential curbside collection contracts.

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RURAL IMPLICATIONS

Based on the recommendations outlined in this report, both urban and rural residential curbside waste collection services will remain unchanged.

CONSULTATION

Public consultation was not required as the recommendations outlined in this report will have no impact on the level of service provided to residents.

Staff met with members of Standing Committee on Environmental Protection, Water and Waste Management virtually to provide background and discuss approach of this report. Additionally, staff provided an update at the Solid Waste Master Plan Council Sponsors Group on May 3, 2021.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a City-wide report.

LEGAL IMPLICATIONS

There are no legal impediments to the Committee and Council's approval of the recommendations contained in this Report.

RISK MANAGEMENT IMPLICATIONS

All risks and associated mitigation measures have been outlined within the body of the report.

FINANCIAL IMPLICATIONS

Impact on Operating Budget

This report has no 2021 or 2022 operating budget impacts since these contracts start in June 2023. Operating budget impacts for 2023 and beyond as outlined in this report will be incorporated in the Draft Operating budgets of each respective year, subject to annual inflationary and growth increases as per the terms and conditions of the contract.

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The estimated impact of the contract increases to the average homeowner starting in 2023 for the two-year duration of this contract is as follows:

Table 2: Monthly Impact of Curbside Collection Contract Based on Vendor Estimates

Monthly Impact of Curbside Collection Contract	2023	2024
Rate Increase	\$0.27	\$0.14
% Increase based on current 2021 rates	3.0%	1.6%
Tax Increase to Average Homeowner	\$0.44	\$0.28
% Increase of Total Average Tax Levy	0.3%	0.2%
Total Monthly Impact to Average Homeowner on Curbside Collection	\$0.71	\$0.42
% Increase of Monthly Impact over Current Average Monthly Cost	5.6%	3.4%

Impact on 2022 Capital Budget

If the best option for the City is to lease the required 24 new vehicles, there would be no capital budget implications. If the best option is to purchase the 24 vehicles, funding will be requested as part of the 2022 budget process, in the 2022 Municipal Fleet Vehicle and Equipment Replacement and Growth Plan which is published as information supplemental to the budget. Funding for the 22 replacement vehicles would be identified and included through the 2022 Lifecycle Renewal Fleet capital budget, funded from the Fleet Vehicle Replacement Reserve Fund. While funding for the additional two growth

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vehicles would be identified and included in the 2022 Solid Waste Services Fleet - Growth capital budget, funded from the Solid Waste Capital Reserve Fund.

ACCESSIBILITY IMPACTS

There are no accessibility implications associated with this report.

TERM OF COUNCIL PRIORITIES

The staff recommendations outlined in this report align with the City's following strategic priorities:

Environmental Stewardship: Grow and protect a healthy, beautiful, and vibrant city that can adapt to change.

Service Excellence Through Innovation: Deliver quality bilingual services that are innovative and continuously improve to meet the needs of individuals and diverse communities.

Sustainable Infrastructure: Ensure sustainable infrastructure investment to meet the future growth and service needs of the city.

DISPOSITION

Upon approval of this report, Solid Waste Services staff, working alongside Legal Services and Supply Services, will engage with the existing curbside collection service providers to negotiate and finalize two-year contracts, expiring June 8, 2025, with the agreements to be executed by the General Manager, Public Works and Environmental Services.