

NO: R058

COUNCIL DATE: MARCH 8, 2021

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **March 1, 2021**

FROM: **General Manager, Engineering**

FILE: **2320-20 (Garbage & Recycling)**

SUBJECT: **Request for Proposals for a New Contract for Solid Waste Collection Services**

RECOMMENDATION

The Engineering Department recommends that Council:

1. Receive this report as information; and
2. Endorse staff to proceed with a Request for Proposals procurement process to select and award a new solid waste collection contract, as generally described in this report.

INTENT

The purpose of this report is to seek Council approval to proceed with a Request for Proposals (“RFP”) for a new solid waste collection contract.

BACKGROUND

The City provides weekly residential curbside organic waste (food and yard waste) collection with alternating bi-weekly garbage and recycling collection services via a fully automated, cart-based collection system to 106,500 single-family households and 31,000 secondary suites. The collection services also include Large Item Pickup (“LIPU”), which allows residents the opportunity to dispose of up to six large household items at curbside during each calendar year. Waste collection services are carried out over a geographically zoned, five-day collection schedule, comprising of approximately 21,000 households per collection day.

In addition, 35,000 residences from apartment buildings receive centralized recycling service, while approximately 50% of these households additionally receive weekly organic waste collection services. The LIPU service is also provided to these buildings on a voluntary basis.

Since the implementation of the collection services in October 2012, which was branded “Rethink Waste”, the City has achieved 70% waste diversion to recyclables and organics stream, well in advance of the 2015 target of 70% that was stipulated in the regional plan.

Current Collection Contract

The City's current waste collection services contract is with Waste Connections of Canada ("WCN"). The term of the agreement was for a seven-year period commencing on October 1, 2012 and ending on September 30, 2019. The contract included an option to extend the contract for up to an additional three years six months at the City's unilateral discretion at the same terms and conditions and is set to expire on March 31, 2023. There are no additional extension terms remaining.

DISCUSSION

The Engineering Department is preparing a new RFP document for the City's next waste collection services contract. As 10 years have surpassed since the last procurement process, the new RFP provides the City with opportunities to include new services, best practices, and modify the contract provisions to meet operational requirements. This will ensure that the City receives a best value service delivery model, meets core objectives with respect to waste collection services, enhances waste diversion, and mitigates risk exposure. Accordingly, the innovative provisions and service programs in the RFP and contract will include:

1. Renewable Natural Gas Fleet

The Surrey Biofuel Facility is the first fully integrated closed-loop organic waste management system in North America which converts organic waste into Renewable Natural Gas ("RNG"). The RFP will mandate that waste collection vehicles be powered by RNG that is produced at the facility. RNG has a significantly lower carbon emissions factor than CNG, which will result in zero greenhouse gas ("GHG") emissions being released from waste collection vehicles reducing emissions by 3,500 tonnes per year. The use of RNG gives the City the option to either reduce its corporate GHG emissions or claim offset credits under the Province's Low Carbon Fuel Supplier program.

2. Zero Waste Programs and Innovations

The City has established a goal to become Canada's first zero waste-to-landfill community in Canada, and to support this goal, staff are developing a Zero Waste Strategy. Residential curbside waste collection programs are an integral part of the strategy and the RFP specifies new collection programs for textiles, glass, household batteries, books, small appliances, and electronics to meet the City's goals. In addition, the LIPU service will be expanded to include a requirement for furniture and other household goods to be diverted for recycling or reuse versus the current practice of disposing as landfill waste. Provisions will also be included to ensure that the contractor implements measures that addresses contamination which impacts recycling and organics processes. This requirement will further help support the City's efforts such as the launching the current educational campaign to help reduce recycling contamination and keep unacceptable items out of waste carts. Furthermore, the RFP will ask proponents to bring forward new initiatives, innovations, and industry best practices to divert waste from landfill and increase reuse and recycling.

3. Technology Requirements

The RFP will require the use of smart waste collection technology. The proposed technology requirements will significantly improve the City's ability to monitor waste collection services in real-time, with the ability to capture snapshots, video snippets and continuous recording from truck-mounted cameras. This technology will support, improve and provide significant oversight and visibility of the contractor's performance, and customer compliance to program requirements ensuring that problems are efficiently resolved in a cost-effective manner.

Staff intend to release the RFP in early Q2 2021 with the intention of the contract being awarded in late 2021. While the collection services under the new contract will not commence until April 1, 2023, the longer lead time is required to ensure that the successful proponent is provided adequate time to order new collection vehicles as mandated through the RFP. Based on the size of fleet required in Surrey, waste haulers typically require approximately 12 months to order, manufacture and receive new waste collection trucks, and with the uncertainty of the COVID-19 pandemic impacting supply chains, the timeframe will allow buffer room if manufacturing delays occur. In addition, the lead time is also required to ensure that the successful proponent is provided adequate time for hiring, training new personnel, developing routes, setting up system software, and performing other related start-up requirements.

Request for Proposal

The RFP has been developed to deliver on the core objective of the contract, which is to engage a "best practices" approach to residential waste collection with an emphasis on environmental and economic factors. Accordingly, the RFP sets out several key elements relating to:

- a) The performance of the services should be carried out in a cost-effective manner, maximizing overall collection system value and optimizing capital, operational, and maintenance costs;
- b) The provision for customers to receive high quality and reliable collection service, which includes the flexibility to revise the services or transfer responsibility for the services to a third party, in whole or in part, to deal with poor service performance;
- c) The reduction of adverse environmental impacts from the performance of the services, including where appropriate the adoption of clean technologies and practices;
- d) The increase of diversion of materials to support the City's Zero Waste Strategy;
- e) The minimizing of customer complaints, confusion, and service disruptions, particularly during the initial implementation of the services;
- f) The opportunity for the introduction of innovations in the performance of the services, including from other jurisdictions in Canada and the world; and
- g) The retention of flexibility to allow for the modification of the services to introduce new services for the benefit of customers.

Request for Proposals Base Requirements and Service Variation Options

The RFP describes a base level scope of services required by the City, which is consistent with the current waste collection programs and services. Proponents are required to submit proposals based on this scope of work; however, the RFP also contemplates some variations in the services which provides options where the City can select the most advantageous combination. In addition, proponents will also be free to provide alternative options to any or all of the base services.

The following outlines the base requirements and potential service variations as identified in the RFP. As mentioned above, proponents will be requested to submit pricing on these items.

1. Waste Collection Services

The RFP requires that proponents submit pricing based on automated cart-based collection of garbage, recycling and organics; LIPU from residential single-family dwellings and apartment buildings; transportation and disposal of these materials to a Metro Vancouver disposal facility, Recycle-BC processing facility or Surrey Biofuel Facility; collection carried out via a fleet of collection trucks that can be fueled with RNG; and adhering to the terms and provisions of the Recycle-BC Services Agreement on a fully back-to-back basis.

2. Seven Year Term with a Three-year Extension Option

Aligned with the existing contract, the RFP will require proponents to provide pricing for a seven-year term with one three-year extension at the City's unilateral discretion on the same terms, conditions, rates, and escalation terms as the initial contract term. This would allow the total contract period to run from seven to 10 years. The longer term also results in lower annual costs to the City as the contractor's capital and operating costs can be spread over a longer period.

Most other jurisdictions opt for longer contract periods (such as seven to 10 years) due to the pricing certainty they provide. Market research also indicates that waste haulers prefer to have a contract period of seven to 10 years, as this closely aligns with the lifecycle of the vehicles, allowing the capital cost of vehicles to be amortized over the length of the contract. In discussions with waste haulers, they have noted that contract periods longer than 10 years usually require a large capital expenditure for new trucks or equipment improvements at the 10 -year milestone, which will result in the contract pricing, terms and conditions to be mutually renegotiated. This may result in higher costs than going to competitive market.

3. Citywide or Two Sub-Area Collection Services

The RFP divides the collection area into two sub-areas with each containing approximately 52,000 single-family households and 140 apartment buildings. By dividing the City into two separate collection areas, it may attract a greater number of proponents and allow for a more competitive procurement process. Under the RFP, proponents can submit proposals based on one or both sub-areas. Accordingly, depending on the submissions received, waste collection services may be carried out by two separate waste haulers, one in each sub-area, or by a single contractor for both areas.

4. Service Frequency and Collection Schedule Options

The current waste collection schedule frequency consists of weekly organics collection with alternating biweekly collection of recycling and garbage. This service frequency allows for lower collection costs, maximizes waste diversion from landfills and minimizes carbon emissions from collection vehicles. Proponents will be required to provide pricing based on this service frequency; however, the RFP will provide proponents with the option to submit proposals for weekly collection of all three streams or weekly collection of organics/recycling with biweekly collection of garbage. Proponents will need to identify how these variations would offer demonstratable benefits above the current collection frequency.

5. RNG Fleet

The RFP requires that waste collection vehicles be powered by RNG produced at the Surrey Biofuel Facility enabling the City to further reduce GHG emissions.

6. Technology Requirements

Proponents will be required to include the use of smart waste collection technology providing the City more oversight and visibility of the contractor performance, customer compliance, and allow efficient problem resolution in a cost-effective manner.

7. Performance Incentives and Deductions

The RFP also includes incentive payment and deduction mechanisms that can be applied based on the performance of the contractor. Incorporating a performance-based approach into the contract creates ownership and commitment, which ensures that the City's core objectives, high quality of waste collection services, and continuous improvements to services are delivered. It also provides the option for deductions for sub-standard performance. The incentives or deductions will be applied for missed collections, service deficiencies/failures and service delivery standards.

Schedule for the Request for Proposals Process and Evaluation

Based on the recommendations of this report, staff have developed the following RFP procurement process timeline:

Step	Next Step	Anticipated Timeline
1	Authorize Staff to Proceed with Procurement Process	March 2021
2	Request for Proposal	April – August 2021
3	Evaluation of Proposal	September – October 2021
4	Report to Council	November 2021
5	Award to Successful Proponent	December 2021
6	Start of Service	April 3, 2023

An Evaluation Committee comprised of City staff and legal and external consultants will review and evaluate all submissions and select a preferred proponent(s). A report, complete with recommendations regarding the award of a contract to a preferred proponent(s), will be forwarded to Council in Q4 2021.

SUSTAINABILITY CONSIDERATIONS

The new contract supports the objectives of the City's Sustainability Charter 2.0. In particular, it supports the theme of Infrastructure. Specifically, the Contract supports the following Desired Outcomes ("DO") and Strategic Directions ("SD"):

- Materials and Waste DO19: Residents and businesses are conscious of their consumer choices and reuse existing materials first;
- Materials and Waste DO20: Materials and resources are used efficiently, sourced locally where feasible, and repurposed or recycled at the end of their life cycle;
- Materials and Waste DO21: The City is moving toward a zero-waste target, in line with regional waste diversion goals;
- Materials and Waste SD13: Work with local businesses and organizations to maximize the recovery and reuse of local materials and waste products as part of the circular economy; and
- Materials and Waste SD14: Provide tools and educational resources that support residents and businesses to reduce consumption.

CONCLUSION

Based on the above discussion, it is recommended that Council endorse staff to proceed with an RFP in relation to the award of a new solid waste collection contract consistent with the description provided in this report.



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RK/HJ/cc