



City of  
**Peterborough**

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**To:** Members of the Committee of the Whole

**From:** W. H. Jackson, Director of Utility Services

**Meeting Date:** August 31, 2015

**Subject:** Report USWM15-008  
Extension of Recycling Processing Contracts

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## **Purpose**

A report to recommend the extension of the City's Recycling Processing, Recycling Drop-Off Depot and Household Hazardous Waste Facility operation contracts, held by HGC Management, to December 31, 2019.

## **Recommendations**

That Council approve the recommendations outlined in Report USWM15-008 dated August 31, 2015, of the Director of Utility Services, as follows:

- a) That the existing contract with HGC Management Inc. 460 Woody Road, Unit 4, Oakville, Ontario, for the operation of the Household Hazardous Waste Facility, Recyclables Processing, and operation of the Drop-Off Depot be extended from January 1, 2017 until December 31, 2019, as per the changes noted in Report USWM15-008 under "Terms of Extension"; and
- b) That the Mayor and City Clerk be authorized to sign an amending agreement with HGC Management Inc.

## Budget and Financial Implications

There are no significant changes to the financial terms of the contracts to be extended. An additional \$5,000 per year would be charged to the City for its share of Styrofoam materials collected and shipped to market. This would represent a 0.5% increase to the total value of the processing contract. All funding requirements will be included in the yearly budget proposal submitted to Council as part of the overall Operating Budget.

## Background

### 1. Current Situation

There are presently four separate contracts in place for the City's various waste management services, as detailed in Table No. 1.

**Table 1: Waste Diversion Contracts**

LINE	DIVERSION PROGRAM	LOCATION	EXISTING CONTRACTOR	CONTRACT EXPIRY DATE
1	Household Hazardous Waste (HHW) Depot	400 Pido Road	HGC Management	Dec. 31, 2016
2	Processing of Recyclable Material	390 Pido Road	HGC Management	Dec. 31, 2016
3	Drop-off Depot for Recycling Material	390 Pido Road	HGC Management	Dec. 31, 2016
4	Collection of Recyclable Materials	N/A	Progressive Waste Solutions (formerly BFI Canada)	Dec. 31, 2016

This report deals with the first 3 contracts all of which deal with activities undertaken at the Pido Road Recycling Depot (see Figure 1).

**Figure 1:** Pido Road Waste Management Facilities - Materials Recycling Facility (MRF), Household Hazardous Waste Depot (HHW Depot), and Drop-Off Depot



### Changing Political Landscape

In the fall of 2014, Premier Wynne's mandate letter to Minister of the Environment and Climate Change, Glen Murray, included the following directive:

"Developing and implementing improved approaches to waste diversion. Your ministry will do so by building on the release of the Waste Reduction Strategy and working with industry, municipalities, and other stakeholders toward the objective of reintroducing waste reduction legislation. The goal for your ministry is to ensure the ongoing sustainability and appropriate governance of waste diversion programs. This is critical to protecting the environment, recovering economic value in the waste stream, and reaping greenhouse gas (GHG) reduction benefits by using resources more efficiently."

Late last year, the Minister responded by signaling his intention to develop a new policy framework for waste reduction and resource recovery. The new framework would introduce new producer responsibility to replace the current Waste Diversion Act and provide an updated strategy to outline a path towards zero waste in the Province. Ministry staff has since been engaged in public and private consultations with stakeholders and industry representatives with the expectation that the draft framework would be released before the end of this year.

The new legislation, if passed, is expected to fundamentally change the roles, responsibilities and funding for waste diversion programs and, in particular, the Blue Box Program in the Province. At this time, it is unclear what the timeline or impact will be on the City and County's services and City recycling facility. It is anticipated that the new legislation will require changes in services levels and operation of the City's Blue Box material recycling facility, as soon as 3-5 years from now.

### **Rational for Extending the Contracts Now**

The City's current contract to operate the Materials Recycling Facility, along with the Household Hazardous Waste Depot and Drop-Off Depot contracts, ends December 2016. Normally staff would issue an RFP by the end of this year with a typical term of 7+ years plus options to extend. The longer contract term is necessary to allow prospective proponents the time to cost-effectively amortize the purchase and installation of the required processing equipment for the facility. However, under the new legislation, the City may no longer have the option to process its own material or wish to do so. Entering into a long term contract in light of the current uncertainty would potentially leave the City with an unfunded contractual obligation or in a situation where it would need to break the contract.

It is therefore proposed that the existing contract with the current operator of the City Material Recycling Facility be extended on a short term basis (3 years) until the new legislation is passed and we understand what the future holds.

### **Terms of Extension**

The current contractor, HGC Management, has agreed to a contract extension on the following terms:

1. Extend the current contract for processing recyclables and operating the hazardous waste and public drop off facilities for **3 years**.
2. **No increase in processing costs** (standard cost of living increases still apply annually) for any of these contracts.
3. City and County will share **shipping charges** for polystyrene processed and shipped to market (City's share approximately \$5,000 per year).
4. **A cancellation fee** of \$40,000 shall be paid to the contractor in the event the contract is cancelled within 2 years of signing the extension on or before December 31, 2018) The City would pay approximately 65% of this, and the County would pay the remainder as they are partnering with the City in this arrangement with HGC.

Since the probability that new Provincial legislation will be formally passed before the end of 2015 is low, and once passed, is likely to contain provisions for a transition period exceeding 2 years, the likelihood of paying the proposed cancellation fee is low.

The need for a 3-year contract extension is to allow the contractor to amortize the purchase of optical sort equipment that will improve the efficiency of his operation. The cost of this equipment, plus installation, is in the order of \$400,000.

HGC Management has provided good service to the City over the extent of its contract and there are no reservations about extending the contracts held by them under the proposed terms.

### **Purchasing By-law Exemption from Need for Competitive Bid**

Section 9.1.2 (d) of Purchasing By-law 14-127 allows, with the permission of the Director of Corporate Services a non-competitive process for the award of a contract. The Director of Corporate Services has reviewed this situation and is in agreement that Section 9.1.2 (d) of Purchasing By-law 14-127 applies and that award of this contract does not require a competitive procedure.

## **SUMMARY**

Considerable uncertainty exists about how several of our waste management programs will evolve over the next 3-5 years, although it appears evident that change will occur through a new political framework. Re-tendering now for the processing of recyclables would solicit few submissions, with higher-than-usual bids to protect contractors from early termination and lost revenues. Our current contractor is willing to provide the same level of excellent service for an additional three years with virtually no increase in cost. Therefore, it is proposed that all waste management service contracts currently held by HGC Management be extended for three years based on the terms set out above.

Submitted by,

W. H. Jackson, P. Eng.  
Director Utility Services

Contact Name:  
Virginia A. Swinson  
Waste Diversion Section Manager  
Phone: 705-742-7777 Ext. 1725  
Toll Free: 1-855-738-3755  
Fax: 705-876-4621  
E-Mail: [vswinson@peterborough.ca](mailto:vswinson@peterborough.ca)