



City of
Peterborough

To: **Members of General Committee**

From: **W.H. Jackson,
Commissioner of Infrastructure and Planning Services**

Meeting Date: **December 3, 2018**

Subject: **Report IPSWM18-008
Recycling Contract Update and Amendment**

Purpose

A report to examine changes in the processing of recyclable material and to recommend an amendment to the existing recycling processor contract.

Recommendations

That Council approve the recommendations outlined in Report IPSWM18-008, dated December 3, 2018, of the Commissioner of Infrastructure and Planning as follows:

- a) That the following adjustments to the current HGC Management Inc. contract with the City for the processing of recyclable materials at the Pido Road Recycling facility be made:
 - i. The processing fee for recyclable materials be increased by \$15.00 per tonne, retroactive to January 2018, for a total increase of approximately \$127,500.00 in 2018, and \$106,250.00 in 2019; and
 - ii. That additional residue from HGC's operations, equivalent to 5% of the City's inbound tonnage, be accepted at the Peterborough County/City Waste Management Facility at no charge for the duration of the contract, bringing the total allowable residue to 10%.
- b) That the attached Amending Agreement be signed by the Mayor and Clerk, outlining the following amendments to the HGC Management contracts:

- i. That the end date for the contract to process recyclables at the City's Materials Recycling Facility, at 390 Pido Road, be brought forward from December 31, 2019 to October 31, 2019; and
 - ii. That the two associated HGC Management Contracts to operate the Household Hazardous Waste Depot and the Recycling Drop-Off Depot, also located at 390/400 Pido Road, be amended to end on October 31, 2019; and
 - iii. That HGC Management provide the City with vacant possession of the Yard at the Materials Recycling Facility on October 1, 2019.
- c) That the attached Amending Agreement with the City's recycling collection contractor, Waste Connections of Canada Inc., also be signed by the Mayor and Clerk, which will bring the end date of their contract with the City in line with that of HGC Management, thereby ending two months earlier, on October 31, 2019.

Budget and Financial Implications

Approval of the recommendations of this report will amend the current contract with HGC Management Inc. by increasing the City's cost to process recyclables by \$15.00 per metric tonne for every tonne brought into the recycling facility from the City's program. This is a 13.6% increase over the current processing fee. Assuming 8500 tonnes are collected in 2018, the increase would be \$127,500.00 plus HST. At this time, there would appear to be sufficient funds available in the Waste Management Budget to accommodate this increase.

The City is proposing to shorten the contract with HGC Management in 2019 and, therefore, the 2019 increases are anticipated to be \$106,250.00 before tax, plus the standard CPI increase. The 2019 draft budget was sufficiently increased to accommodate the estimated 2019 increase in processing fees.

Lost landfill revenue will also be realized in 2019 with the proposed compensation. Based on the average annual revenue received over the past four years from HGC for tipping in excess of 5% residue, the lost revenue to the City will be approximately \$13,800.00.

Background

City Council, at its meeting of August 27, 2018 in considering Report IPSWM18-004 entitled "Recycling Contract Update and Amendment" (Attachment 1) referred this matter back to staff for further consideration.

City Meeting With HGC

Staff met with HGC Management on September 25, 2018 to further discuss the issues raised by HGC. As described in Report IPSWM18-004, HGC had made a number of different requests for compensation, some of which were multi-faceted and complex. Acceptance of these requests would have necessitated constant monitoring and auditing to ensure accuracy and conformity with any arrangement arrived at. There were also certain aspects of HGC's concerns that Staff did not agree with.

In the end, Staff proposed a single per-tonne increase to make budgeting consistent and predictable, while keeping HGC solvent. The value of the per tonne increase agreed to was \$15.00 for inbound City tonnage. This increase is retroactive to January 1, 2018.

In addition, the City would allow HGC to landfill 'residue' material equivalent to 10% of the City's inbound tonnage. This is a 5% increase over their current allowable residue rate. While HGC has historically strived to keep residue levels at or below the 5% level, there are many months when they exceed it by 1 or 2 percent, and are charged the current tipping fee for its disposal. Achieving 5% residue is becoming less and less realistic, as producers continue to flood the market place with non-recyclable packaging. Consequently, Staff agreed to take this additional ask to Council for approval. If HGC sends the full 10% residue to landfill, the tonnage from the City program will be approximately 850 tonnes.

A part of this agreement, HGC will end their contract with the City early (October 31, 2019 versus December 31, 2019 and will ensure the Yard (see Attachment 4) is clear of material on October 1, 2019. These requirements are necessary for a smooth transition from HGC to a new processor if HGC is not successful in winning the recently issued RFP for a recycling processor starting in 2020.

To ensure the recycling processing and collection contracts end at the same time (assumed in the RFP), the City's recycling collector, Waste Connections of Canada Inc, has also agreed to end their existing contract two months earlier on October 31, 2019.

Discussion

Staff feel that the proposed compensation is fair and justified in these turbulent times. Virtually all other municipalities in Ontario and beyond are entrenched in similar struggles with their recycling service providers, all of which are experiencing unprecedented losses in revenue and increased demands to eliminate virtually all contamination. None of this could have been foreseen back when HGC's contract was last extended in 2015.

The proposed compensation amounts to an increase of approximately \$10,625 per month for a total of 22 months (January 1, 2018 to October 31, 2019), or \$233,750. This is a 13.6% increase over our current costs. In addition, the landfill would lose

approximately \$13,800 in City revenue it currently receives from HGC Management. While the financial cost is considerable, the situation would be far worse if the contractor was forced to declare bankruptcy, or take the City to court as is happening now with Hamilton and their recycling processor.

Summary

Significant changes in the global recycling landscape have given cause to re-examine the existing recyclable processing contract between the City and HGC Management Inc., the City's processor. After lengthy negotiations, the parties have agreed to a flat fee increase of \$15.00 per inbound-tonne, retroactive to January 1, 2018 when HGC first brought these issues to the City's attention, until October 31, 2019 when the contract is set to end.

New contracts for all waste diversion services (collection, processing, HHW Depot and Drop-Off Depot operations) will be awarded early in 2019 and commence as of November 1, 2019 based on the recently issued RFP.

Submitted by,

W. H. Jackson, P. Eng.
Commissioner of Infrastructure and Planning Services

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Attachments

- Attachment 1: IPSWM18-004 Recycling Contract Update and Amendment
- Attachment 2: Amending Agreement with HGC Management Inc.
- Attachment 3: Amending Agreement with Waste Connections of Canada Inc.
- Attachment 4: The Yard at the Pido Road Recycling Depot