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ORGAWORLD CONTRACT AMENDMENT UPDATE

The Solid Waste Management Committee recommends the adoption of the recommendations contained in the following report dated February 25, 2009, from the Commissioner of Environmental Services.

1. RECOMMENDATIONS

It is recommended that:

1. The Region enter into a contract with Orgaworld Canada Ltd. to provide transportation and treatment of up to an additional 30,000 tonnes per year of Source Separated Organic waste at a Base Processing Fee of \$114.43 per tonne as outlined in this report pursuant to the sole source provisions of the Purchasing By-law.
2. Regional Council authorize the Commissioner of Environmental Services to re-amend the contract with Orgaworld and to extend their contract term until June 18, 2022 as outlined in this report.
3. Regional Council authorize the Regional Chair and Regional Clerk to sign the necessary agreement, subject to review by Legal Services.

2. PURPOSE

This report provides an update on the Orgaworld contract and recommends acceptance of revised terms to meet the Region's current and future needs for processing source separated organics.

Council authorization beyond that obtained in November 20, 2008 is required because the original authorization was for a single phase increase of 30,000 tonnes per year. Following the initial negotiations with Orgaworld, staff now recommend a two phased approach involving an immediate 20,000 tonnes per year increase with a second increase of 10,000 tonnes per year in 2013 that is outside of the scope of the November 20, 2008 Council authorization.

3. BACKGROUND

Securing Additional Capacity from Orgaworld and Universal Resource Recovery Satisfies Short-term SSO Needs at Competitive Cost

As previously reported, the SSO processing shortfall from Conporec and the earlier failure of GSI Environnement Ltd. left York Region with a need to obtain an additional 40,000 tonnes per year at current generation rates.

Accordingly, staff sought authorization in November of last year to negotiate contract extensions with both existing service providers, Orgaworld and Universal Resource Recovery at competitive rates of \$114.43 per tonne and an aggregate cost of \$120.55 per tonne respectively.

Council approved additional 30,000 tonnes/year in Orgaworld contract starting in 2009

On November 20, 2008, Council approved Report No. 3 of the Solid Waste Management Committee directing staff to negotiate a contract extension with Orgaworld that involved adding 30,000 tonnes annually for a total processing capacity of 60,000 tonnes per year available to York Region. The existing contract term expires in June 2017. The amended contract included put-or-pay provisions for 70 % of the total or 42,000 tonnes/year.

Orgaworld counterproposal involves 15 year term with phased in Source Separated Organics tonnage

On January 15, 2009, Orgaworld responded to the draft Consent and Acknowledgement to the contract amendment with three additional amendments:

1. Term extended to 15 years from the original 10 years, i.e. to 2022.
2. Phased in start-up from an additional 20,000 tonnes/year in 2009 to 30,000 tonnes per year in 2012 at the previously approved price of \$114.43 per tonne for transportation, processing and disposal of residual materials.
3. Ability to relocate some or all of the processing capacity to another Orgaworld facility acceptable to York Region at the same net cost per tonne.

Previous Council authorization included a one phased approach acquiring processing for 30,000 tonnes per year. Due to the counterproposal and alternative two phased approach of 20,000 tonnes per year in 2009 and an additional 10,000 tonnes per year in 2013, Legal Services advises that Council authorization is required. There is no impact on the financial costs of a two phased approach.

4. ANALYSIS AND OPTIONS

Orgaworld amendments consistent with York's Source Separated Organics needs

York Region estimated the need to process 88,000 tonnes per year of Source Separated Organics in the 2009 budget. In February 2009, Universal Resource Recovery agreed to extend their processing capacity from 25,000 tonnes per year to 50,000 tonnes per year. With this capacity and with the proposed Orgaworld extension of 20,000 tonnes, York will have a total available processing capacity of 100,000 tonnes per year until 2013. This will increase to 110,000 tonnes of available capacity in 2013 under the proposed amendments. Table 1 shows a summary of required processing and available capacity by year.

Table 1
Required SSO Processing and Available Capacity

	Available Capacity			Demand ²
	Universal ¹	Orgaworld	Total	
2009	50,000	50,000	100,000	88,000
2010	50,000	50,000	100,000	90,600
2011	50,000	50,000	100,000	93,400
2012	50,000	50,000	100,000	96,200
2013	50,000	60,000	110,000	99,000
Notes:				
	1.	Assumes that York continues Universal Resource Recovery contract into 2013		
	2.	Demand based on 2009 estimated projections and current growth estimates from York Region Planning Department		

5. FINANCIAL IMPLICATIONS

Phasing in the Source Separated Organics capacity does not affect the financial aspects of the contract.

6. LOCAL MUNICIPAL IMPACT

Establishing viable long term contracts with proven processors will ensure long-term, stable composting capacity for green bin waste collected from local residents. York Region and the local municipalities require successful Source Separated Organics programs to achieve their goal of 65 % diversion from landfill by 2010.

7. CONCLUSION

Securing contracts with reliable and financially viable Source Separated Organics processing facilities is critical to our success in meeting our diversion targets both in the short-term and in the long-term. Our current contract with Orgaworld represents a reliable and cost effective processing solution for our source separated organics. Accordingly, staff recommends extending the contract and acceptance of Orgaworld's revised terms.

For more information on this report, please contact Laura McDowell, Director of Environmental Promotion and Protection at Ext. 5077.

The Senior Management Group has reviewed this report.