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NIAGARA WASTE SYSTEMS LIMITED PURCHASE ORDER INCREASE FOR RESIDUAL WASTE DISPOSAL

The Environmental Services Committee recommends the adoption of the recommendation contained in the following report dated September 11, 2012, from the Commissioner of Environmental Services.

1. RECOMMENDATION

It is recommended that:

1. Council increase the current contract value of Blanket Purchase Order B00012184 from $7,776,000 to $9,692,468 to allow for continued haulage and landfill disposal of up to 50,000 tonnes of residual waste by Niagara Waste Systems Limited through the end of the first contract term on June 27, 2013.

2. PURPOSE

This report seeks authorization to increase the current contract value of Niagara Waste Systems Limited (Niagara Waste) from $7,776,000 to $9,692,468 to allow for continued disposal of up to 50,000 tonnes per year of residual waste through the end of the three-year contract term. Niagara Waste is one of York Region's residual waste service providers responsible for haulage and disposal at Walker Brothers Landfill in Niagara Falls, Ontario.

3. BACKGROUND

Council awards contract to Niagara Waste in June 2010 to address disposal capacity shortfall

In June 2010, processing disruptions at the Dongara Waste Pelletization Plant caused much of the material intended for that facility to be redirected to Green Lane Landfill. In addition, a portion of the source separated organic waste (SSO) intended for processing at Orgaworld and Universal Resource Recovery Inc. had to be landfilled. In total, processing disruptions at these three facilities had created a disposal capacity shortfall which was then estimated at 30,000 tonnes per year. To address these concerns, Council authorized staff to enter into a three-year agreement with Niagara Waste for haulage and disposal of residual waste at a base price of $64 per tonne plus fuel surcharges and an annual price adjustment based on the consumer price index. An upset limit of $5,760,000 was established for the initial three year term based on an estimated average annual tonnage of 30,000 tonnes per year. Shipments to Niagara Waste started in mid-July 2010.

The formal agreement with Niagara Waste allows for disposal of up to 40,000 tonnes per year to allow for peak periods over the three year term; however, the initial purchase order was based on an estimated annual average tonnage of 30,000 tonnes.

Niagara Waste contract contributes to diversified residual waste disposal system

York Region's contract with Niagara Waste contributes to a diversified residual waste disposal system. York Region's residual waste disposal contracts are summarized in Table 1.

Table 1
York Region Residual Waste Management Contracts

Facility	Contract Term	Annual Minimum (Tonnes)	Annual Maximum (Tonnes)
Niagara Waste[1]	2010 –2013	10,000	40,000
Dongara[2]	2008 – 2028	N/A[3]	100,000
Durham York EFW[4]	2014 – 2034	30,000	30,000
Green Lane Landfill[5]	2013 – 2017	25,000	80,000

1. Initial 3-year term with option to extend for two additional 1-year terms and one 5-year term.
2. Initial term of 20 years with two optional 5 year extensions.
3. Historical annual deliveries to Dongara have been less than 100,000 tonnes due to processing issues at Dongara.
4. Durham York EFW scheduled to start operation in mid-2014. Initial operations term of 20 years with two optional 5-year extensions.
5. Option to extend Green Lane contract for additional 5 year term starting January 1, 2018.

Use of Niagara Waste contract exceeded initial expectations due to prolonged facility shutdowns

Shortly after receiving Council authorization to enter into a three-year contract with Niagara Waste, processing difficulties at Dongara, Orgaworld, and Universal Resource Recovery intensified. Odour issues at Orgaworld and Universal ultimately led to complete shutdowns at both facilities. The shutdowns lasted for approximately three months, followed by a gradual ramp up to full capacity. As shown on Table 2, Niagara Waste accepted 50,869 tonnes of residual waste during the first year of the contract, exceeding both the initial estimate of 30,000 tonnes per year and Niagara Waste's maximum contractual obligation of 40,000 tonnes per year. On a trial basis, Niagara Waste also accepted 1,794 tonnes of SSO for disposal in 2010 and 1,471 tonnes of mixed broken glass to be used for building haulage roads. Throughout these events, Niagara Waste provided critical contingency capacity needed to ensure continuous waste management service delivery to our residents. Since that time, Niagara Waste has continued to provide important contingency capacity in excess of 30,000 tonnes per year.

Purchase order increase required to allow for continued use of contract at current rates

To accommodate the increased tonnage through use of the Niagara Waste contract, staff previously invoked the contingency and scope change provisions of the purchasing bylaw to increase the contract value to $7,776,000. However, an additional increase is now required to allow for continued use through the end of the three year contract term. Staff request that the purchase order limit be increased to $9,692,468 to allow for disposal of up to 50,000 tonnes of residual waste to the end of the first contract term, June 27, 2013, as shown in Table 2.

Table 2
Niagara Waste Contract Usage

Contract Year	Material	Tonnes	Average Cost per Tonne[1]	Total Invoiced
July 2010 – June 2011	SSO and Mixed Broken Glass[3]	3,265	$65.98[2]	$215,436
July 2010 – June 2011	Residual Waste	50,869	$64.08	$3,259,802
July 2011 – June 2012	Residual Waste	44,091	$65.37	$2,882,230
July 2012 –June 2013[4]	Residual Waste	50,000	$66.70	$3,335,000
Total				**$9,692,468**
Current Authorization				**$7,776,000**
Increase Required				**$1,916,468**

1. Average cost over the contract year, rounded to the nearest whole cent. Includes fuel surcharges and annual inflation adjustments based on the consumer price index.
2. SSO disposal price included premium for additional odour control measures.
3. York Region received diversion credit for mixed broken glass used for construction of haul roads.
4. Estimated average price and maximum tonnage during final year of the contract.

4. ANALYSIS AND OPTIONS

Niagara Waste provides high level of service to York Region

Owned and operated by Niagara Waste Systems Limited, a subsidiary of Walker Industries, the Walker Brothers Landfill was approved by the Ministry of the Environment in 1985. One of the largest private sector landfills in Ontario, Niagara Waste accepts solid, non-hazardous waste from municipalities and private sector clients throughout the greater Toronto area and Ontario. Over the first two years of the contract, Niagara Waste has provided excellent service to York Region, adjusting tonnages as required to meet the Region's changing requirements.

Niagara Waste is the shortest haulage distance of Ontario's major commercial landfill options

As shown on Table 3, Niagara Waste's landfill in Niagara Falls, Ontario is closer to York Region than other major landfill alternatives. Minimizing haulage distances reduces the Region's environmental footprint and also saves money.

Table 3
Haulage Distance to Ontario Landfills

Landfill	Location	Distance (One Way)
Niagara Waste	Niagara Falls	142 km
Green Lane Landfill	St. Thomas[1]	214 km
Twin Creeks Landfill	Watford	260 km
Petrolia Landfill	Petrolia	290 km
Ridge Landfill	Chatham	311 km
Lafleche Landfill	Moose Creek	444 km

1. Green Lane Landfill, located in St. Thomas, Ontario, is owned by the City of Toronto

Niagara Waste offers competitive pricing relative to other commercial options

The Niagara Waste contract is competitively priced relative to other landfill options. In March 2012, York Region entered into a separate commercial contract with Twin Creeks Landfill specifically for contingency disposal of source separated organic material, which Niagara Waste no longer accepts due to odour issues. As summarized on Table 4, Niagara Waste's price for haulage and disposal is less than Twin Creeks Landfill's price, due primarily to the shorter haulage distance.

Table 4
Haulage and Disposal Price Comparison

Contract	Average Price[1]			Comparison Period
	Haulage	Disposal	Total	
Niagara Waste	$20.84	$44.53	$65.37	July 2011 – June 2012
Green Lane Landfill	$23.25	$40.69	$63.94	May 2012 – July 2012
Twin Creeks Landfill	$31.76	$48.00	$79.76	March 2012 – July 2012

1. Average price for haulage and disposal from all transfer stations over the specified comparison period, including fuel surcharges and CPI adjustment.

As shown on Table 4, York Region pays a slightly lower price on haulage and disposal at Toronto's Green Lane Landfill than it does at Niagara Waste. However, the Green Lane contract includes a minimum commitment of 25,000 tonnes per year. For the past two years, Toronto has waived this requirement in exchange for York Region's agreement to minimize shipments to Green Lane. Based on the disposal-only cost of $40.69 per tonne, Toronto's agreement to waive the minimum annual tonnage is worth up to $1,017,250 per year to York Region.

Link to Key Council-approved Plans

The Region's commitment to diversion from landfill through waste reduction, reuse, recycling, and energy recovery is a key component of the Regional Official Plan and Sustainability Strategy. Maintaining contingency landfill contracts allows the Region to respond to waste processing disruptions while continuing to work toward a system designed to reduce reliance on landfilling.

5. FINANCIAL IMPLICATIONS

Purchase order increase has no impact on Region's Waste Management Budget

York Region is currently budgeting for the Dongara Waste Pelletization Plant and all sources separated organics facilities to return to their full processing capacities in 2013. Budgeting for full processing ensures that there are sufficient funds to cover any contingency landfilling that may be required, since the Region pays a premium for waste processing. Increasing the purchase order limit by $1,916,468 allows the Region to activate this capacity as required, without impacting the Region's 2012 or 2013 solid waste management budgets.

6. LOCAL MUNICIPAL IMPACT

Increasing the Niagara Waste purchase order limit will provide continuity of service and cost effective and reliable transportation and disposal of residual waste, ensuring continued provision of efficient waste management service delivery in partnership with local municipalities.

7. CONCLUSION

The Niagara Waste contract provides reliable, flexible, cost effective transportation and disposal of residual waste. Increasing the purchase order limit for this contract ensures that the Region will have access to this important capacity, if required.

For more information on this report, please contact Laura McDowell, Director of Environmental Promotion and Protection at 905-830-4444 Ext. 5077.

The Senior Management Group has reviewed this report.