

CITY OF HAMILTON

***PUBLIC WORKS DEPARTMENT
Waste Management Division***

Report to: Chair and Members Public Works Committee	Submitted by: Scott Stewart, C.E.T. General Manager Public Works Department
Date: September 17, 2008	Prepared by: Blair Smith Extension 4770

**SUBJECT: Contract Extension with Recycled Materials Marketing (ReMM)
(PW06132a) - (City Wide)**

RECOMMENDATION:

- (a) That the City continue to retain the services of Recycled Materials Marketing (ReMM) for the marketing and transportation services of recyclable commodities collected from the City's recycling program from January 1, 2009 to March 31, 2013;
- (b) That funds continue to be retained in the Waste Management Operating Budget of \$100,000 for marketing services (Account 55916 – 512520) and \$285,000 for transportation services of recycling commodities (Account 55961 – 512520) from 2009 to 2013.

Scott Stewart, C.E.T.
General Manager
Public Works

EXECUTIVE SUMMARY:

In September 2006, Council approved the contract extension with Recycled Materials Marketing (ReMM) as part of Report PW06132 for the marketing of recyclables collected through the City's recycling program for 2007 and 2008.

The City's contract with ReMM ends on December 31, 2008. Staff is recommending that ReMM's contract be extended until March 31, 2013, given the positive results ReMM has shown since they were retained by the City in 2002. This fixed term extension coincides with the end date of the current two-stream recycling collection system, which was approved by Council on April 24, 2007 through Report PW07057/FCS07052. The decision to continue with the two-stream recycling system

**SUBJECT: Contract Extension with Recycled Materials Marketing (ReMM)
(PW06132a) - (City Wide) - Page 2 of 5**

resulted in amending the contract term of the City's recycling processing contract with Canada Fibers Ltd. (CFL) to a fixed term extension from January 1, 2008 to March 30, 2013.

ReMM provides marketing services for all container recyclable commodities collected through the City's recycling program. ReMM's services includes negotiation of container commodity pricing with end markets, reporting and reconciling all inbound and outbound loads of all materials from the City's Materials Recycling Facility (MRF), and working with Finance staff to monitor revenue payments from end markets. ReMM has also provided waste auditing services for recyclable commodities when required to ensure the City of Hamilton receives best value for its commodities.

The annual operating cost for ReMM's marketing services is approximately \$100,000 and this amount has been included in the Waste Management Division's annual operating budget.

Report PW07051 "Transportation Services Agreement with Recycled Materials Marketing (ReMM)" was presented and approved by Council in March 2007, which authorized entering into an agreement with ReMM for transportation services for recyclable container commodities for 2007 and 2008. The annual operating cost for transportation of recyclable container commodities is approximately \$300,000 per year. Staff is recommending that the transportation services provided by ReMM continue until March 31, 2013 to coincide with the new waste collection contracts. These costs are included in the Waste Management Division's annual budget.

BACKGROUND:

The information and recommendations in this report PW06132a have City Wide implications.

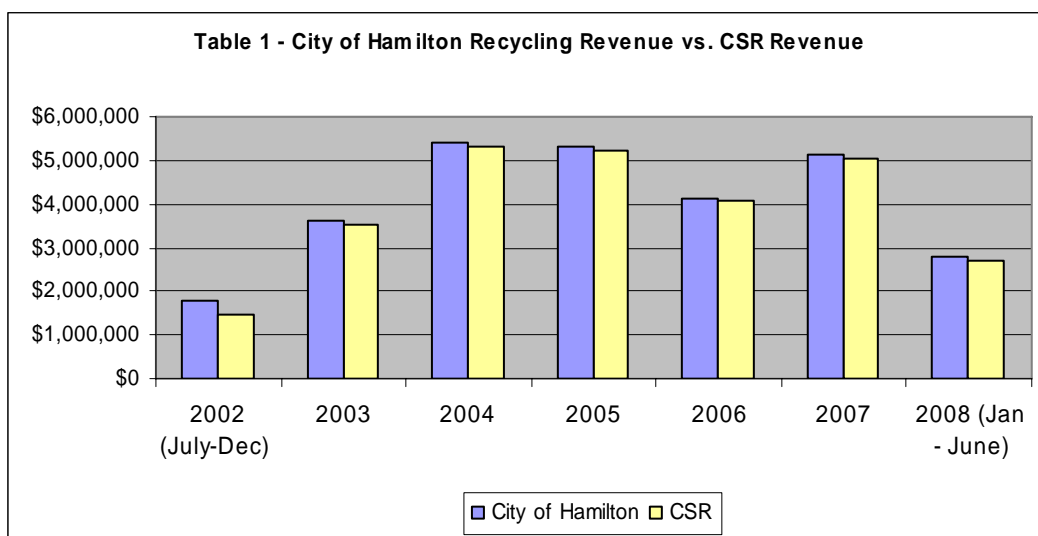
The City retained ReMM for materials marketing services in June 2002 after the City received an unsolicited proposal which outlined ReMM's ability to substantially increase the City's revenues for recyclable commodities. Prior to 2002, recyclable commodities were marketed by the former MRF operations contractor, Third Sector Recycling. At that time, the City received minimal revenue for its recyclable commodities as a result of inefficient marketing by Third Sector Recycling. Report PW03029 was approved by Council in April 2003, acquiring the services of ReMM for the remainder of 2003 and directed staff to provide a course of action for marketing services. Report PW03169 "Marketing Services for Recyclable Commodities" was subsequently submitted by staff and approved by Council to continue to retain ReMM's services on an annual basis until 2006. ReMM's agreement was further extended to December 31, 2008 as part of Report PW06132. In spring of 2007, Council approved and authorized staff to enter into an agreement with ReMM for providing transportation services for 2007 and 2008. Both the marketing and transportation agreement with ReMM will expire at the end of this year. The City continues to require marketing and transportation services and as a result staff has prepared this report for Council's consideration.

ANALYSIS/RATIONALE:

The marketing service with ReMM ends December 31, 2008. ReMM's compensation is based on a marketing fee per tonne plus incentives if revenues exceed the budget for the given year, to a maximum compensation limit of \$100,000 per year.

ReMM's marketing services has been very positive for the City. The City has exceeded the provincial average by an accumulative total of approximately \$810,000 since 2002 in comparison to the provincial commodity standards provided by the Corporation Supporting Recycling (CSR). Table 1 summarizes the annual comparison between City revenues compared to the CSR data sheets.

Table 1 - City of Hamilton Recycling Revenue vs. CSR Revenue



ReMM also assists with the reconciliation of all inbound and outbound loads of materials entering and leaving the Materials Recycling Facility.

In 2007, ReMM began providing transportation services to transport recyclable container commodities to end markets. This service has improved efficiency since ReMM is directly involved with negotiating commodity revenues and shipping requirements with end markets. These services provided by ReMM, allow them to coordinate better savings on transportation to benefit the City as opposed to Canada Fibers Limited or another external company that is not involved with marketing recyclable container commodities for the City. Expanding ReMM's services in 2007 to oversee the transportation of processed recycling commodities resulted in combined savings of approximately \$170,000 in 2007 and 2008 in comparison to previous years. In a continued effort to find further savings, staff is recommending that ReMM continue recycling commodity transportation services for the City.

ReMM is the only local company that provides one stop shopping of complete commodity marketing and transportation services other than processing companies. Although commodity processors are capable of providing commodity marketing and transportation services, staff's experience is that these arrangements are not preferred as they do not ensure maximum savings and revenue generation for the City. Since 2002 when ReMM's services were acquired, they have provided combined revenue and

**SUBJECT: Contract Extension with Recycled Materials Marketing (ReMM)
(PW06132a) - (City Wide) - Page 4 of 5**

savings of approximately \$1,000.00 for the City in marketing and transportation services.

ALTERNATIVES FOR CONSIDERATION:

The marketing of recyclable commodities by other Ontario municipalities often includes marketing by the materials recycling facility operator or by municipal staff. At this time, Canada Fibers Ltd. markets the City's fiber commodities and film plastics. The marketing of recyclables by staff is a viable option for the future; however, no internal staff are in place and trained in the marketing of recyclable commodities. In addition, if materials are marketed by staff, the City could potentially lose out on economies of scale compared with using a marketing broker.

ReMM's marketing and transportation services has been very positive for the City and therefore staff recommend that these services continue to be provided by ReMM until March 31, 2013. New waste and recycling collection contracts will be required starting in April 2013. The competitive procurement process for the new contracts will include options for marketing by in-house staff as well as marketing and transportation by the MRF operator or using contracted marketing broker.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

The agreement that presently exists with ReMM to market the City's recyclable materials has a compensation ceiling of \$100,000 per year, with a portion of this compensation being incentive based. The expenditure is included in Waste Management's operating budget, 55916-512520.

The annual expenditure for transportation services is approximately \$300,000 and is included in the Waste Management Division's operating budget, 55961-512520.

POLICIES AFFECTING PROPOSAL:

(a) Purchasing Policy #11

Retaining the services of ReMM is being done in accordance with the City's Purchasing Policy #11- Policy for Negotiations, section 4.11 (1)(e):

When a single source for the supply of a particular Good and/or Service is being recommended because it is more cost effective or beneficial for the City.

(b) Solid Waste Management Master Plan (SWMMP)

The proposal is also affected by the Solid Waste Management Master Plan. It more particularly relates to the amended Recommendation #3 which focuses on the preservation of landfill capacity and which states:

Recommendation #3 - "The City of Hamilton must set an aggressive objective of 65% waste diversion by the end of 2011, based upon 2000 waste generation rates."

As part of an efficient and effective recycling program, the marketing and transportation services used to maximize revenues on collected and processed materials set out by residents, contributes to fulfilling this recommendation.

**SUBJECT: Contract Extension with Recycled Materials Marketing (ReMM)
(PW06132a) - (City Wide) - Page 5 of 5**

(c) Public Works Strategic Plan

Reviewing costs associated with the marketing and transportation of recycling materials is fiscally responsible and environmentally sustainable. The Public Works Strategic Plan also strives to make Public Works a leader in the “greening” and stewardship of the City. Maximizing landfill space by diverting recycling material is environmentally and fiscally responsible.

RELEVANT CONSULTATION:

Staff from the Purchasing Section of the Financial Services Division were consulted for input on the recommendations contained in this report.

CITY STRATEGIC COMMITMENT:

By evaluating the “**Triple Bottom Line**”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. Yes No

Public services and programs are delivered in an equitable manner, coordinated, efficient, effective and easily accessible to all citizens.

Environmental Well-Being is enhanced. Yes No

Waste is reduced and recycled.

Economic Well-Being is enhanced. Yes No

Hamilton's high-quality environmental amenities are maintained and enhanced.

Does the option you are recommending create value across all three bottom lines?

Yes No

This report supports the City of Hamilton's strategic plan in the following manners:

- Sustainability: to contribute to a balanced community, economy and environment; to minimize the footprint of our activities and to do no harm.
- A Healthy, Safe and Green City – Reducing Waste going to Landfills. Council will commit to an aggressive waste diversion rate to increase the lifespan of our landfill and ultimately reduce costs, both financial and environmental, for taxpayers.

Do the options you are recommending make Hamilton a City of choice for high performance public servants? Yes No

The recommendations in the report does not have an impact on staff structure.