

Staff Report



To	Committee of the Whole
Service Area	Infrastructure, Development and Enterprise Services
Date	Monday, July 5, 2021
Subject	Organics Waste Processing Facility Contract Renewal

Recommendation

1. That Council approve extension of the Operations and Maintenance Services Agreement with Wellington Organix Inc., the operator of the Guelph Organic Waste Processing Facility, for an additional two years, with a term ending September 2023, and;
 2. That Council delegate authority to staff to negotiate and execute an amending agreement to reflect the amendments approved by Council.
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Executive Summary

Purpose of Report

The purpose of this report is to bring forward an Amendment to the Operations and Maintenance Services Agreement with Wellington Organix Inc., the operator for Guelph's Organic Waste Processing Facility.

Key Findings

The City's Organics Waste Processing Facility (OWPF) is managed by Solid Waste Resources (SWR) and has a capacity of 30,000 tonnes per year. SWR manages two contracts for this facility: one with Wellington Organix Inc. (WORX) to operate the facility and another contract with the Region of Waterloo (ROW) to receive their organics and provide processing services for them.

The OWPF receives 20,000 tonnes of source separated organics from ROW annually and also processes all of Guelph's organics (10,000 tonnes annually).

The ROW contract is a 20 year contract with an initial 10 year term (ending October 2023) and two optional five year extension terms.

The Operations and Maintenance Services Agreement with WORX is a 15 year contract with a five year initial term and two optional five year extension terms; it was extended for the first five year extension term until September 2021.

In 2020, an SWR review of both contracts identified two risks: differing contract expiration dates and differing annual price index adjustments to account for inflationary pressures; benefits can be achieved by harmonizing contract renewal dates and price index adjustments.

SWR recommends:

1. Amending the Operations and Maintenance Services Agreement with WORX in an effort to align the contract renewal dates with the Services Agreement renewal dates, providing greater flexibility to optimize operating costs based on anticipated future processing needs; and
2. Aligning the WORX annual price index adjustment clause to better reflect the adjustment clause contained within the ROW agreement in an effort to reduce variability. Between the two contract.

Financial Implications

This change is administrative in nature and enhances contract performance predictability and mitigates future risk related to the potential misalignment of processing costs and revenue.

Report

Background

The City's Organics Waste Processing Facility (OWPF) is managed by Solid Waste Resources and has a capacity of 30,000 tonnes per year. Solid Waste Resources manages two contracts for this facility: one with Wellington Organix Inc. (WORX) to operate the facility and another contract with Region of Waterloo (ROW) to receive their organics and provide processing services for them.

The OWPF receives 20,000 tonnes of source separated organics from the ROW annually and also processes all of Guelph's organics (10,000 tonnes annually).

The ROW contract is a 20 year contract with an initial 10 year term and two optional five year extension terms. The initial 10 year term ends October 2023. The contract with WORX is a 15 year contract with a five year initial term and two optional five year extension terms. The first optional five year extension term ends September 2021.

The overall business case for the OWPF provides equity to both the ROW and City because the ROW uses and pays for two thirds of the processing capacity and the City assumes capital carrying costs and operational risks associated with the OWPF. Together this arrangement yields market comparable processing costs per tonne, thereby economically supporting diversion and environmental objectives for both the ROW and the City.

In 2020, Solid Waste Resources staff performed a review of both of these contracts and identified two risks: differing contract expiration dates, and differing annual price index adjustments to account for inflationary pressures which have implications on operating costs.

The reason there is a two year difference in the end dates between the two contracts is due to the initial timing of the OWPF commissioning and the need to have the operating contract in place in advance of commencement of the processing contract. As discussed, harmonization of contract terms mitigates potential risks and provides alignment and flexibility benefits to the City.

The City's organics operation was reviewed as part of the Solid Waste Resources Business Service Review in 2018 with no recommendations arising from the review. The facility's condition is assessed on a five year basis to ensure that the City's OWPF is being maintained in a state of good repair.

Financial Implications

This change is administrative in nature and enhances contract performance predictability and mitigates potential future risks related to misalignment of processing costs and revenue.

Consultations

Legal Services has been engaged to assess and review the draft amendment to the Operations and Maintenance Services Agreement with WORX, prepared by Solid Waste Resources and WORX, to insert an option for the City to extend for an additional period of two years between the two existing five year optional extensions and to amend the annual price index adjustment clause.

Strategic Plan Alignment

Sustaining our future: Mitigate climate change by reducing Guelph's carbon footprint.

Accountable contract management of the Organic Waste Processing Facility ensures the sustainable environmental performance and processing of Guelph's organic waste resulting in continuous greenhouse gas reduction of 6,535 tonnes CO₂e per annum.

Working together for our future: Develop a long-term financial and resource strategy that is achievable and affordable.

Through the alignment of the Organic Waste Processing Facility contracts, the City is expressing its desire to improve beneficial contractual agreements in a financially viable manner.

Attachments

None

Departmental Approval

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