

# HALIFAX

P.O. Box 1749  
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**Item No. 14.1.8**  
**Halifax Regional Council**  
**July 31, 2018**

**TO:** Mayor Savage and Members of Halifax Regional Council

Original Signed by 

**SUBMITTED BY:**

\_\_\_\_\_  
Jacques Dubé, Chief Administrative Officer

**DATE:** June 12, 2018

**SUBJECT:** **Organics Management RFP and Facility Operation Contract Extension**

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## **ORIGIN**

February 23, 2016 – Halifax Regional Council directed staff to initiate the process to identify a service provider for organics management and processing as per the scope of work and requirements included as Attachment A to the report dated January 6, 2016. Halifax Regional Council further directed staff to:

1. Consult with stakeholders to receive input in the development of the Request for Qualification and the Request for Proposal;
2. Return to Council with a recommended RFQ for input and approval prior to its issuance along with consultation feedback;
3. Return to Council with an update on the RFQ and a recommended RFP for input and approval prior to its issuance; and
4. Return to Halifax Regional Council to award the organics management and processing contract.

October 6, 2016 – Report and presentation to ESSC on the Organics Management and Processing Stakeholder Engagement process.

April 25, 2017 – Halifax Regional Council gave direction to:

1. Approve the Organics Management Strategy;
2. Approve the Request for Qualifications Key Terms;
3. Direct staff to issue a Request for Qualifications and return to Council with the recommended Request for Proposals Key Terms for input and approval prior to its issuance;
4. Direct staff to make application for subdivision approval to expand the Northern and Eastern lot boundaries of 61 Evergreen Place by 200 meters North and 100 meters East;
5. Initiate a process to consider amendments to the Regional Municipal Planning Strategy, Halifax Municipal Planning Strategy and Halifax Land Use By-law to enable the expansion of HRM's Goodwood composting facility located at 61 Evergreen Place;
6. Follow the public participation program for municipal planning strategy amendments as approved by Regional Council on February 27, 1997; and
7. Approve in principle a community integration fund be established in the amount of \$1 million for the expansion of 61 Evergreen Place with \$350,000 in funding allocated toward the development of the Western Common Wilderness Common, \$325,000 in funding allocated toward infrastructure at

the Prospect Road Community Center and \$325,000 in funding allocated to projects identified through a community consultation.

September 27 and October 25, 2017 – Staff met with the Western Commons Advisory Committee to discuss the proposed expansion and rezoning of the 61 Evergreen Place property.

February 20, 2018 – Case 21209: Amendments to the Regional MPS, Halifax MPS and Halifax Mainland LUB for 61 Evergreen Place, Ragged Lake Compost Facility was approved by Halifax and West Community Council to move to Halifax Regional Council for first reading.

March 6, 2018 – Halifax Regional Council approved first reading of Case 21209.

March 27, 2018 – After a public hearing and second reading, Halifax Regional Council approved Case 21209: Amendments to the Regional MPS, Halifax MPS and Halifax Mainland LUB for 61 Evergreen Place, Ragged Lake Compost Facility.

### **LEGISLATIVE AUTHORITY**

Clause 79(1)(an) of the *Halifax Regional Municipality Charter* provides that “Council may expend money required by the Municipality for ... solid-waste management facilities”.

### **RECOMMENDATION**

It is recommended that Halifax Regional Council;

1. Direct staff to issue an Organics Management RFP to prequalified vendors in accordance with the RFP Key Terms (Attachment A) and Scoring Matrix (Attachment B) described in this report; and
2. Approve an up to two-year extension for the operations of the Halifax Ragged Lake Source Separated Composting Facility by AIM Environmental as provided for within RFP No. 16-043;
3. Direct the CAO to negotiate and enter into a Fourth Renewal Agreement with the Miller Compost Corporation as per the key terms and conditions as outlined in this report;
4. Direct staff to return to Halifax Regional Council to award the Organics Management and Processing RFP.

### **BACKGROUND**

Halifax Regional Council has endorsed the following goals/objectives to help guide the procurement process for the organics management program:

- A. Minimizes capital and operating costs, including reducing current processing costs;
- B. Minimizes impact to the community (odours, noise, etc.);
- C. Meets the 2010 NSE Guidelines for compost post 2019; and,
- D. Increases organics processing capacity from 50,000 tonnes to 60,000 tonnes per year, with the option to increase to 75,000 tonnes per year in the future.

To assist and guide staff in the development of a Request for Qualifications (RFQ) and Request for Proposals (RFP), Solid Waste consulted with stakeholder groups and the public. From September 2016 to December 2016, staff conducted stakeholder and community engagements. The intent of the consultation process was for stakeholder groups and citizens to provide staff with insights on their values and aspirations for the future of the organics management program. The consultation process provided the opportunity for stakeholder groups and community members to clearly express their positions for the future direction of the organics management program.

The information from the consultation process was consolidated, reviewed and presented to Regional Council in a report on April 25, 2017. Within this report, the RFQ Key Terms for Council's consideration

were outlined as well as the overall direction for the Municipality's Organics Management Strategy. Regional Council unanimously approved the Strategy and the RFQ Key Terms.

On March 27, 2018, Case 21209: Amendments to the Regional MPS, Halifax MPS and Halifax Mainland LUB for 61 Evergreen Place, Ragged Lake Compost Facility was approved by Halifax Regional Council. The approval of Case 21209 allocates additional land and grants the required zoning at the Ragged Lake site for the expansion of the organics management facility. This approval provides proponents certainty that the additional land is available at this site for facility development when submitting their RFP proposal.

## **DISCUSSION**

### **Request for Qualification (RFQ)**

The RFQ for Organics Management Infrastructure and Long Term Operating Contract was issued September 28, 2017 and closed January 9, 2018. The RFQ had submissions from six (6) proponent firms. The RFQ allowed firms to submit two (2) proposals for review and evaluation. The Municipality received nine (9) submissions in total.

The proposals received included both anaerobic digestion (AD) and aerobic composting (AC) technologies. Some proposals provided for both technologies to be used in tandem while others focused solely on an AD or AC system. After review and scoring of the RFQ, six (6) proposals submitted by four (4) firms passed. These vendors will be invited to participate in the RFP process.

- Consortium of Forum Investment and Development, Maple Reinders PPP Ltd, AIM Group Holdings Inc. x 1 proposal
- Halifax Organics Management Group (Miller Waste Systems & Bird Construction) x 2 proposal
- SCM Organics Solutions Ltd. (Municipal Group & Suez Canada Waste Services) x 2 proposal
- Storm Fisher Ltd. (Storm Fisher & Hitachi Zosen Inova USA & Ellis Don) x 1 proposal

The pre-qualified organics management proposals included:

- Two Anaerobic digestion
- Two Aerobic composting
- Two Combination of anaerobic digestion / aerobic composting

### **Pre-RFP Consultations**

Consultations with shortlisted vendors took place in April 2018. The intent was to provide vendors an opportunity to discuss potential RFP key terms with staff. Staff took this step to understand if aspects of the contemplated RFP were consistent with each vendor's assumptions. Consultations allowed staff to become more aware of perceived risks and potential constraints vendors had with the project. It also provided staff the ability to review and align potential key terms to general market expectations. Overall this step allowed staff to improve the RFP based on comments from prospective vendors.

The main suggestions brought forward from the vendors during the consultations are outlined below and have been addressed within this report:

1. Creating a mutually beneficial partnership;
2. Risk of delay in achieving all legal entitlements (permits / approvals);
3. The ability to have a shared risk / reward structure for utilities / commodities;
4. Having a market tested project agreement model/structure as well as an independent financial advisor;
5. Commercially confidential meetings during the open phase of the RFP;
6. An honorarium for unsuccessful bidders;
7. Process for community consultations.

**Request for Proposals (RFP)**

Scoring Matrix

The RFP evaluation matrix is intended to achieve the project solution that best meets the goals and objectives of the Municipality. In the development of the scoring criteria, staff initiated a jurisdiction scan of other regions to review their evaluation matrixes. This research identified that Canadian municipalities who completed an RFQ for design, build and operation of an organics management facility prior to issuing an RFP had between 40% - 100% of the total score for the RFP based on price. These regions however, typically specified the technology process and did not have to consider the overall balance of methods (AD vs AC vs both) within their scoring as is the case for Halifax. For the RFP evaluation matrix, there is a balance that needs to be struck within each criterion and their associated scoring weights to provide for the three systems to be proposed. With the technology/cost balance in mind and guided by Council goals/objectives, staff have proposed an evaluation matrix which has been included as Attachment B.

The following table describes how the proposed RFP and scoring matrix addresses each of Council's approved goals/objectives:

Councils goals / objectives are to:	RFP Evaluation Methodology
A. Minimizes capital and operating costs, including reducing current processing costs	Financial scoring weight is recommended to be 40%. This will help to provide a balance between the technology solutions and overall cost with the intent of attracting quality proposals for both anaerobic digestion and aerobic composting technologies.
B. Minimizes impact to the community (odours, noise, leachate management etc.),	<p>There are defined minimum criteria outlined within the RFP Key Terms. These criteria include an enclosed odour treatment system(s) with an exhaust stack, incoming and outgoing airlock system(s), and concrete floor/pad liner(s) for material process areas. These criteria must be met or the submission will fail.</p> <p>There are specifications as well as other technical and operational processes / attributes which can contribute to enhanced odour management, noise containment, leachate management and overall environmental impact. Community Impact will be scored with a weighting of 20%.</p>
C. Meets the 2010 NSE Guidelines for compost post 2019,	The vendor must confirm and demonstrate how their process / technology is able meet the 2010 NSE Guidelines when they become operational (likely in 2021-23). This includes their process design, process control, the time that the material is kept within the stages of the process, how the proponent's system has worked reliably and achieved similar results elsewhere.
D. Increase organics processing capacity from 50,000 tonnes to 60,000 tonnes per year, with the option to increase to 75,000 tonnes per year in the future.	The vendor must confirm and demonstrate how they are able to process the required annual tonnage and scale the operation in the future by providing their approach to increasing capacity. This will be based on the design and size of the facility and its ability to handle the daily, weekly and annual tonnage specified within the RFP.

In addition to the above approved goals/objectives, on April 25, 2017, Regional Council approved the Organics Management Strategy (the Strategy) and RFQ Key Terms. Based on the information provided by vendors in their RFQ submissions, they are able to meet the requirements identified within the Strategy and the RFQ Key Terms. Although firms have provided information for, and passed the RFQ stage, there are aspects from the RFQ which must be reviewed in greater detail within the RFP. The request for enhanced level of information is required to further evaluate some details related to design, process, etc. and will be evaluated to provide an increased level of due diligence.

Along with the review of detailed operational, technical and engineering information, staff intend to complete site visits for numerous reference facilities provided by vendors through the procurement process. It is anticipated that site visits will include meetings with local representatives and tours/inspections of facilities to view and understand the technology and facility operations, and ensure information provided for in the RFQ/RFP responses can be substantiated. Staff will also review facility and process design; engineered drawings; permitting, consultation process, site and facility development, construction, commissioning and operations plans; risk mitigation approaches to evolving organics management standards and the addition of new materials, as well as other technical and operational criteria. The technical criteria will be weighted at 40% of total score.

#### Summary of RFP Evaluation Components

- 20% (20 points) - Community Impact (Noise, leachate and odour control / mitigation / treatment, overall environmental impact)
- 40% (40 points) - Technical
- 40% (40 points) - Financial

Vendors must achieve a minimum score of 60% for the Technical (24 points) and Community Impact (12 points) components and an overall combined score of 70% (42 points) for both categories to move to the Financial review of their proposal. (There are minimum scoring requirements established for each specific criterion in order to ensure these areas are adequately addressed by proponents. Additional detail provided in Attachment B.)

#### Proposed Project Agreement

Qualified proponents discussed with staff their preference for a “market tested” project agreement within the RFP and an independent financial advisor. The vendors request for using a market tested agreement centered around project financing requirements and reducing perceived risk as terms and conditions could be similar to other jurisdictions. HRM understands these concerns. Staff have reviewed agreements for organics management solutions developed in other regions of Canada and existing contracts for services in HRM. Legal Services will draft the agreement in concert with Solid Waste and external service providers in order to create an agreement which best fits the unique needs of the Municipality. Terms and conditions within the agreement are subject to change based on feedback from vendors during the RFP process. Solid Waste has contracted Ernst & Young as the Municipal accounting and financial advisor for this project.

#### Contract Term

Staff are proposing a 25-year contract with options to extend at HRM's sole discretion for 2 additional 5-year terms. With HRM having the sole discretion to extend the contract, it provides an increased level of assurance regarding facility maintenance and repairs on the asset. The ongoing upkeep of the asset is critical for the vendor if HRM elects for an additional 5 or 10 years of operations. HRM will also require scheduled facility reviews and independent condition assessments throughout the life of the contract in order to provide baseline information and trends on facility condition for eventual asset transfer. These reviews are anticipated to take place in 5 year intervals and increase in frequency near the end of the term. Asset condition and handover requirements will be outlined within the RFP.

It is intended that the contract will provide that if/when a capacity expansion is required, the proponent and HRM will enter into discussions and negotiations on the proposed expansion/management methodology. Proponents must provide a robust facility expansion and process plan within their RFP submission, however, as the system evolves over time the identified approach may be modified. The expansion and method to process material will depend on previous and estimated annual volumes and the duration remaining in the contract. For example, if annual volumes are estimated to exceed 60,000 tonnes with only 5 years remaining on the contract, it may be more financially prudent to transfer the material to another NSE approved AD or AC facility. On the other hand, if there are 10-15 years remaining on the contract it may be more practical to expand. By locking a vendor and HRM into a definitive price and technology for the possible expansion at the outset of this contract, it removes a level of flexibility in terms of future operations and technology advances. To be clear HRM is not bound to expand to the processing capacity with the successful vendor. HRM may elect to issue an RFP for system expansion if this approach is in the best interest of the municipality. These decisions will be at the discretion and direction of Council.

### Fee Structure

For the operating fee, staff are proposing a put-or-pay (minimum tonnage) amount of 45,000 tonnes annually. The operating fee structure may be subject to tonnage band increments whereby additional volume processed at the facility would provide for an amended net cost. It is proposed that the operating fee will only increase by Nova Scotia CPI for the duration of the contract. Tonnage bands could relate to the additional risk/reward mechanisms which may be established to provide cost/revenue sharing between HRM and the vendor. These would typically be for commodity and utility volumes/prices resulting from consumption or production at the facility. Bands could also be established for other scenarios such as defined annually processing volumes.

With the vendor responsible for all utility costs within their bid there is a risk that, with the unknown nature of long term energy and commodity prices, the cost per tonne charged to HRM would be inflated to cover this potential long-term risk. As a result, this risk premium would be paid by HRM over the length of the contract. The counter argument is that there is also a risk to HRM of not locking in a per tonne fee inclusive of utility prices. If a per tonne fee was set inclusive of all utility costs, HRM would be better able to provide long-term cost certainty and predictability; nevertheless, this predictability comes at a cost.

In general, risks should be allocated to the entity best able to manage that risk. The control of utility and commodity prices is generally outside of both HRM's and the vendors ability to set; however, the vendor does have the ability to predict and control usage/production at the facility. Therefore, HRM will seek to share risk/reward on both the unit price and usage within the contract. This risk/reward model is also true for energy production.

If a proponent who advances an AD system is successful in the procurement, HRM would want to benefit from escalating volume/prices for energy production in the future. As a result, benefits of additional production volumes and/or increased prices would be shared between the vendor and HRM. Revenue sharing risk is important to mitigate considering the unknown price on carbon and the associated potential revenue from renewable energy. The financial benefits generated from renewable energy can in some cases be more uncertain than the standard energy market fluctuations. This is attributed to evolving government policy both federally and provincially on carbon pricing and carbon credit trading. HRM could seek to include all estimated revenue within the net cost per tonne proposed in the vendors submission. This would ensure HRM would receive a specific volume and rate per kilowatt hour or gigajoule of energy to offset the operating costs. By including all the energy revenue within the per tonne fee, HRM risks losing an opportunity to benefit from increased revenue for energy production over time. Overall a cost/revenue share model is anticipated to reduce the risk on Halifax taxpayers, attract more competitive bids and secure a fair long-term price for both the operator and the Municipality.

With regards to the capital cost of the facility, it is intended that the capital fee payment will commence after substantial completion and commissioning of the facility. Equal monthly capital payments will be made for the remaining duration of the contract. This will ensure the vendor's investment is paid back over the life of the contract and that taxpayers only pay for the capital investment once. The Municipality will also reserve the right to pay down the capital cost of the project in lump sum payments through the life of the agreement.

As an example, capital paydowns may occur if Solid Waste is successful in receiving financial support for this project through federal and provincial funding programs, or if HRM is able to borrow at a more favorable rate taking into account risk/reward of the transaction(s). Lifecycle rehabilitation costs may be built into the initial operating cost per tonne, or segregated and paid through separate schedules. Financial and operational information must be made available to HRM to review if/when needed.

Although the contract will be for 25 years commencing no later than April 1, 2021, it is anticipated that the new infrastructure will not be operational for this date. The selected proponent will however, be responsible to manage the Municipality's organics on the effective date using existing infrastructure and then transition to their new operation. It is intended that the selected proponent will be responsible for processing costs and there will be no amendments to the cost per tonne for the transition period other than Nova Scotia CPI. HRM intends to complete a capital deficiency review with the proponent and advance upgrades at the facilities prior to the contract start date in order to ensure each facility is capable of continued operations during the transition period. Once the transition period operation has ended the new facility operations fee will commence. There will be no amendments to the new facility operations cost per tonne other than Nova Scotia CPI.

### **Other Vendor Suggestions**

Staff understand the vendors concerns with possible delays receiving the appropriate legal entitlements (permits/approvals) to build and operate a proposed facility. The Solid Waste team have reached out to senior staff within Nova Scotia Environment and will continue to do so in order to keep the department up to date with the project. Staff will work with the vendor to achieve all permits and approvals, however, the overall responsibility rests with the vendor. Community consultations are required as part of receiving permits/approvals and are therefore the obligation of the vendor. Solid Waste will assist the vendor in public engagement and consultations throughout the permitting process. In the unlikely event that appropriate legal entitlements cannot be obtained by the proponent within reasonable time frames, the vendor may be required to operate the existing facility(s) through a contingency plan which will be included within the RFP/project agreement.

Another area of discussion centered around Commercially Confidential Meetings (CCM's) or sometimes referred to as Collaborative Meetings. These meetings have their benefits and challenges. The main benefits for these meetings are that staff can hear and understand (and possibly address) a proponent's concerns with respect to the RFP and contract terms to ensure that the procurement process is successful in achieving competitive bids and help ensure that vendors are on track with their proposal and they understand the municipality's needs. These meetings also sometimes provide a venue where questions can be answered more efficiently than issuing addenda. Having CCM's while the RFP is in market could however be a perceived fairness issue. Legal and Procurement staff believe that having all questions addressed through the standard procurement practice of issuing addenda to all proponents is the most transparent and fair approach and reduces the risk of potential litigation.

An honorarium could entice a company to allocate resources to the project where they otherwise may not. Vendors also discussed that stipends may provide for a better bid package submission to the Municipality. Although a stipend may reduce the overall financial burden to an unsuccessful bidder, staff do not support providing a stipend. Based on consultations the amount of a stipend in general is not seen as a major impediment to procuring this project. The stipend amount proposed by vendors ranged from \$0 - \$500,000. HRM does not typically provide this type of funding to unsuccessful bidders.

### **Existing Operation Contract Extension**

On August 2, 2016, Halifax Regional Council awarded RFP No. 16-043, Operation of Halifax Ragged Lake Source-Separated Composting Facility to AIM Environmental. Within this RFP, the Municipality has the right to extend the facility operations contract for two additional one-year terms. The management operating fee for the previous period (\$39,800 per month) is subject to increase by CPI to account for inflation for extension years.

On January 16, 2018, Halifax Regional Council approved the Third Renewal Agreement for the operations of the Dartmouth Composting Facility with the Miller Composting Corporation. The Third Renewal provides the Municipality the right to extend the contract under defined conditions. The operating cost per tonne for the previous operating period is subject to increase by CPI to account for inflation. Although there was an ability for both parties to extend the operations contract, there were no contracted parameters (duration, notice and cost) agreed to from previous renewal agreements. The extension parameters for the Dartmouth Facility were negotiated after the Organics RFQ was issued and provides for additional risk mitigation for the municipality on this project.

On May 8, 2018 Solid Waste received a letter from Miller Waste requesting permission to install infrastructure at the Dartmouth Composting Facility and offered to extend the operations contract for the site an additional year on an as needed basis. Solid Waste believes this is a mutually beneficial proposal as the installation of the new infrastructure is a way to reduce the leachate costs at the Dartmouth Composting Facility and it could also benefit leachate management costs for the Ragged Lake Composting Facility. In addition, it provides another year in which to secure a proponent and the required legal entitlements for the project. As such, staff is seeking Council's support and direction to negotiate a Fourth Renewal as per the below terms and conditions.

The terms and conditions for the Fourth Renewal Agreement are;

- HRM will exercise its right to extend the operations contract as per the Third Renewal Agreement from April 1, 2019 – March 31, 2020,
- Miller Compost Corporation and HRM agree to extend the Dartmouth Composting Facility contract for an additional year from April 1, 2020 – March 31, 2021,
- HRM will have the right to terminate the contract during the extension year with 90 days notice,
- The cost per tonne for the extension year is subject to a CPI adjustment consistent with the Third Renewal Agreement,
- A mechanism to review potential capital replacement expenditures related to the existing facility will be outlined,
- HRM will consent to the Miller Compost Corporation's proposal to install and subsequently remove at their sole cost and expense a slurry unit to stabilize leachate costs.

Extending the current processing agreements at the existing two composting facilities by up to two years provides several strategic benefits for the Municipality and reduces the overall risk of the project. The original vision and direction was that the vendor awarded the Organics Management and Processing RFP would take over the operations of the facility(s) while the new facility is being constructed. This objective remains unchanged. The vendor will still be responsible to manage organic materials while they are constructing the new operation. There is however a risk that the vendor is awarded the contract, takes over operations of the existing facilities, and is subsequently unable to secure all necessary permits and approvals from Nova Scotia Environment, Halifax Regional Municipality and other approval bodies for their proposal. Although this situation could be mitigated within a contract with off ramps for not receiving all legal entitlements by milestone dates, whereby the vendor is required to operate the existing facility(s) until a new vendor is selected, this increases the risk to the program, facilities, and service delivery.

By extending the current contracts to expire no later than March 31, 2021 it provides a firm date by which the new vendor must assume the responsibility for processing the Municipality's organics but with a more realistic timeline for the RFP process and facility final design, permitting, approvals phase to occur. It provides the Municipality an improved ability to mitigate transition risks and be certain all contract condition precedents such as the vendor achieving permits by a certain date have been met prior to transitioning facilities. This extension was supported by the vendors during the consultation process as it assists to mitigate their risks as well as the Municipality's.

**FINANCIAL IMPLICATIONS**

Ernst & Young is the financial advisor for the project. They will confidentially review each proponent's financials in order to provide HRM the assurance that the vendor has the financial capacity to undertake the project. Ernst & Young will also assist in reviewing and drafting terms for the RFP, project agreement, and financial model. Funding is available through project account CW000004 – Composting / Anaerobic Digestion Plant.

GHD are the owners engineering firm for Solid Waste. They have been tasked to assist staff in drafting the RFP, completing site work and studies to support the RFP, assess specifics of the technical feasibility of the proposals as well as providing advice to staff throughout the procurement process. Funding is available through project account CW000004 – Composting / Anaerobic Digestion Plant.

**COMMUNITY ENGAGEMENT**

Community engagement was conducted at the beginning of this project and helped shape the overall Strategy and actions by staff to date. This was the subject of an October 2016 ESSC report as noted above in the Origin section of this report.

**ALTERNATIVES**

Council could modify the RFP Key Terms and / or the Scoring Matrix proposed in this report.

**RISK ASSESSMENT**

The overall risk to HRM with the recommended action is low to medium. Based on the RFP Key Terms and the Scoring Matrix staff are hopeful it will provide the framework for multiple bids from multiple vendors.

**ATTACHMENTS**

Attachment A - Request For Proposal Key Terms  
Attachment B - Request For Proposal Scoring Matrix

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A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/index.php> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

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## Attachment A Request For Proposal Key Terms

1. The key technology proposed and overall processing method must align with the RFQ submission. Proponents may select either of the existing sites (61 Evergreen Place or 80 Gloria McCluskey Ave.), regardless of the site(s) put forward in the RFQ submission. Understanding there are variables with regards to site attributes (e.g. COMFIT, distance to sewer / water / natural gas lines, lot size, available buffer distances, etc.), details of site(s) and configuration(s) proposed in the RFQ may be amended in the RFP to provide flexibility with infrastructure tie-ins, operations, approvals and cost mitigation, while maintaining the key technology(s) and overall processing method(s) pre-qualified.
2. The proponent must provide evidence they have the technology rights for their proposal, a detailed description of process technology including methods of meeting CCME 2010 guidelines, methods of pasteurization (where applicable), process flow schematics, technical reliability, process narrative, description of the process monitoring and control systems and attributes of their solution including the proposed processing operations, the output(s), product(s), by-product(s), and information on mass, energy, building and process air and water balances. The residue(s) and wastewater(s) generation points in the process, collection methods, amounts and proposed methods of disposal/treatment are to be included. The proponent must provide site plan(s), layout drawings for major equipment and areas, 3-D rendering of the facility(s) and site(s) including roads and landscaping, and surface water management and secondary containment strategy and layout.
3. The proponent must provide copies of letters of commitment and/or contracts (where applicable) with service providers who accept organic slurry, compost, fertilizer, soil amendments, digestate, biogas, power or other end material(s) or by-product(s) where their acceptance is integral both operationally and financially to the proposal. If during the review of the RFP submissions, HRM deems an end market integral the proponents will be required to enter into a long-term contract(s) and provide a copy to HRM. The overall project agreement will include step-in rights for HRM to ensure that organics processing can continue if the operator is unable to do so unexpectedly.
4. Only under extraordinary circumstances (bankruptcy, sale, merger) subject to HRM discretion, the business entity for the Project Lead, Constructor, Designer, Key Technology Provider, and Operator may be amended within the RFP from the RFQ submission. If a substitution is requested, the entity must possess equivalent or better experience and qualifications than the entity identified within the RFQ as determined by HRM.
5. Only under extraordinary circumstances, subject to HRM discretion, the lead staff member for the assigned Project Lead, Constructor, Designer, Key Technology Provider, and Operator may be amended within the RFP from the RFQ submission. If a substitution is requested, the new staff lead must possess equivalent or better experience and qualifications than the staff lead identified within the RFQ as determined by HRM.
6. HRM will deal with only one vendor and have only one contract for the entirety of this project (design, build, own, operate, finance). Any partnerships developed between companies to deliver this project must create a new legal entity which is guaranteed and secured by the parent companies. The development of a legal entity and registration with Nova Scotia Joint Stocks is a requirement.
7. Proponents must provide evidence of sufficient financial strength to satisfy their obligations over the full contract period including if available: financial statements, current credit ratings reports, or other financial documents to support the financial analysis. The approach to financing structure, including proposed structure and parties, must be clearly outlined with contingency plans should there be a gap in the financing, supported by financial statements and letters of support from

funding sources. Letters of reference from a bank or other licensed financial institution will also be required.

8. Vendors must be able to provide confirmation that they are able to obtain from an insurance or surety company with a rating of at least A- with S&P and AM Best (or equivalent rating agency) a minimum of:
  - a. A construction performance (material / labour) bond with a minimum amount being that of the total capital cost as identified by the proponent within their financial summary submission for the facility and related facility equipment.
  - b. \$ 2,500,000 operating letter of credit.
  - c. \$ 7,500,000 operating performance bond.
  - d. \$10,000,000 commercial general liability insurance (including products and completed operations, tenant's legal liability).
  - e. \$10,000,000 environmental impairment liability insurance.
  - f. \$10,000,000 all risks property insurance.
  - g. \$ 5,000,000 automobile insurance.
  - h. \$ 5,000,000 Builder's risk and wrap up liability insurance for the facility and related facility equipment which is to include designer/architect errors and omissions coverage.
9. All submissions must meet at a minimum the 2010 NSE Compost Guidelines and all applicable Municipal, Provincial, and Federal regulations, by-laws etc. Proponents must confirm they can meet pasteurization or equivalent requirements as determined by NSE. Technical/operational submissions other than for community impact (i.e. noise, odour and leachate management) will be evaluated on their ability to meet the 2010 NS Composting Guidelines.
10. Enhanced odour management and control processes as well as details on the planned investments and technology to reduce / contain odour and noise and leachate must be demonstrated for facilities located at 61 Evergreen Place and 80 Gloria McCluskey Ave. This will include a minimum of:
  - a. Demonstrated odour management performance (e.g. modelling) of proposed odour treatment system.
  - b. Receiving, processing and storage of materials are all fully enclosed in building(s) maintained under negative pressure. No coverall or fabric style covered buildings are permitted.
  - c. Enclosed odour treatment system with an exhaust stack.
  - d. External overhead rollup doors in the receiving / shipping area(s) will be interlocked with an internal receiving / shipping area(s) door such that only one overhead door in the area(s) may be opened at a time creating an air lock prior to entering or exiting the facility.
  - e. Concrete floor/pad liner(s) to be used for material process areas (except for pre-existing construction subject to HRM's determination of suitability).
11. As part of a contingency / future state plan and in order to mitigate risks of evolving standards, vendors will be required to provide approaches on how they will address potential compost guideline, by-law and legislative changes including how they will meet more stringent regulatory requirements such as the Ontario Compost Quality Standards, and what changes to process would be required to accept pet waste, accept compostable / biodegradable plastics and grass.
12. Operations shall be designed to manage 60,000 tonnes annually with the ability to expand as required to up to 75,000 tonnes or greater.
13. The proponent will be required to provide organics management services to HRM no later than April 1, 2021. The proponent may use the existing facilities and infrastructure to accept and process materials during the development of their process. The proponent may also export the material to other NSE approved composting facilities during the transition. The proponent will be responsible

for transitioning to the new organics management system and must provide a detailed transition plan.

14. The term of the project agreement will be 25 years and Halifax will have the sole authority to extend the contract for 2 additional 5-year terms.
15. The cost per tonne will be established whereby the capital costs will be based on and paid in equal monthly payments prorated after successful commissioning of the facility. The Municipality also reserves the right to paydown the capital cost of the project in lump sum payments through the life of the agreement. Operational costs will be paid in a per tonne fee. Lifecycle rehabilitation costs may be built into the initial operating cost per tonne or segregated and paid through separate schedules. Additional risk/reward mechanisms can be established to provide cost/revenue sharing between HRM and the vendor for energy/commodity volumes/prices resulting from consumption or production at the facility. HRM shall have the right to audit and review financial statements, facility inputs and outputs, site operations; as well, HRM will be provided monthly and annual reports for site.
16. HRM will not be responsible for the marketing or management of facility products/by-products. The proponent shall have sole responsibility for these materials and is responsible for all costs associated with the marketing and management of the product(s)/by-product(s). HRM shall have the right to audit and inspect how products and by-products are managed and marketed.
17. A minimum guaranteed annual tonnage payment of 45,000 tonnes (the put amount) will be provided to the vendor and annual tonnage band(s) may be established.
18. The successful proponent will not be permitted to accept or process material not supplied through HRM without HRM's consent. HRM will have the option to supply organic materials from outside jurisdictions that are consistent with the definition of organic materials in the contract. The successful proponent may not unreasonably refuse to accept and process organic materials that are consistent with the definitions in the contract, however the contractor will have the ability to screen and reject materials that will result in the facility not being able to meet contractual performance or regulatory obligations. The Municipality sets the tip fees and has authority for all tip fees charged to designated users. The project agreement will clearly require the vendor to divert recovered organic materials to a beneficial end use. Landfilling will not be an option for recovered organics.
19. The successful proponent will be responsible to obtain all legal entitlements for the project.
20. No stipends will be provided to unsuccessful bidders.

The Key Terms are meant to provide the strategic direction for the RFP development. The Key Terms are not intended to provide the exact language that will be included within the RFP. The RFP will contain other terms and conditions that are not outlined above which are more of an operational nature and less strategic.

## Attachment B Request For Proposal Scoring Matrix

### COMMUNITY IMPACT – 20 Points

#### Pass/Fail Criteria

- Enclosed odour treatment system (e.g. biofilter) with an air emissions stack
- Incoming and outgoing truck air lock
- Concrete floor/pad liner(s) for material process areas (except for pre-existing construction subject to HRM's determination of suitability)

#### Scored Criteria

Criteria	Points 20	Minimum Required to Pass
Air Emissions Control, Management and Treatment Systems/Processes	10	6
Process water and Stormwater Control, Management and Treatment Systems/Processes	5	3
Overall Environmental Impact (e.g., Noise and Nuisance Control Systems / Processes, Energy Efficiency, GHG reduction, Building Materials)	5	Not specified
<b>Total Points</b>	<b>20</b>	<b>12</b>

In order to pass the Community Impact assessment, proponents must meet or exceed the above minimum score for each criterion as identified and have an overall score of 12 out of 20 points.

### TECHNICAL – 40 Points

#### Pass/Fail Criteria

- Confirmation Vendor can meet NSE Compost Guidelines (and pasteurization or equivalent requirements for AD)
- Ability of the operator to meet organics operations capacity (initial 60,000 tonnes annually) and provide an overview of their expansion plan (minimum 75,000 tonnes annually)
- Letters of commitment or contracts with integral business partners for product(s) receipt
- Business entities for project lead, constructor, designer, key technology provider, and operator the same as submitted within the RFQ (as defined in this RFP)

#### Scored Criteria

Criteria	Points 40	Minimum Required to Pass
Quality & Demonstrated Reliability of Buildings, Equipment, Systems, Components and Processes to Meet Finished Product(s) Requirements, Meet Expansion Requirements, References and Site Visits	10	6
Project Team Members, Including Facility Staffing, Suitability for Roles/Functions	2	Not Specified

Suitability and Functionality of the Facility Design & Adaptability to Future Regulations	4	Not Specified
Project Plans & Schedules – Design, Consultation, Permitting, Construction, Commissioning, Acceptance Testing, Transition, etc.	8	4
Operating Plan (including Controls, Monitoring, Data Management, Reporting), Maintenance, Rehabilitation & Contingency Plan	8	4
Product(s) Marketing Strategy & Plan for Handling Residue(s) and By-products	8	4
<b>Total Points</b>	<b>40</b>	<b>24</b>

In order to pass the Technical assessment, proponents must meet or exceed the above minimum score for each criterion as identified and have an overall score of 24 out of 40 points.

In order for the proposal to proceed to the Financial assessment stage both the Community Impact and Technical assessment sections must pass as per the above minimums and together must have a combined overall score of 42 out of 60 points (70 percent).

**FINANCIAL – 40 Points**

Pass/Fail Criteria

Vendors must be able to provide confirmation that they are able to obtain from an insurance or surety company with a rating of at least A- with S&P and AM Best (or equivalent rating agency) a minimum of:

- a. A construction performance (material / labour) bond with a minimum amount being that of the total capital cost as identified by the proponent within their financial summary submission for the facility and related facility equipment.
- b. \$ 2,500,000 operating letter of credit
- c. \$ 7,500,000 operating performance bond
- d. \$10,000,000 commercial general liability insurance (including products and completed operations, tenant’s legal liability)
- e. \$10,000,000 environmental impairment liability insurance
- f. \$10,000,000 all risks property insurance
- g. \$ 5,000,000 automobile insurance
- h. \$ 5,000,000 Builder’s risk and wrap up liability insurance for the facility and related facility equipment which is to include designer/architect errors and omissions coverage.

Scored Criteria

The proposal with the lowest net present value (NPV) cost over the full 25-year contract term shall receive the maximum points allocated for cost. All other proposals will be prorated against the lowest cost proposal using the following formula:

$$\text{Max Available Pts.} = [\text{Max Available Pts.} \times (\text{total cost} - \text{lowest total cost}) / \text{lowest total cost}]$$

Note: If the result is a negative number, the score assigned will be 0.

Example: Two technically compliant bids are received and the maximum available points for cost equal 30:

Bid 1: \$100,000

Bid 2: \$130,000

Bid 1 being the lowest, would achieve a score of 40 points

Bid 2 would achieve a score of 28 points, calculated as follows:

$$40 - [40 \times (\$130,000 - \$100,000) / \$100,000] = 28$$