

Procurement, Contracting & Management: Working Toward Better Practices

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Working Towards Better Practices

Why are procurement & contract management important?

- It's where we spend the most \$ for contracted services
 - ~44% curbside & depot collection
 - ~22% processing

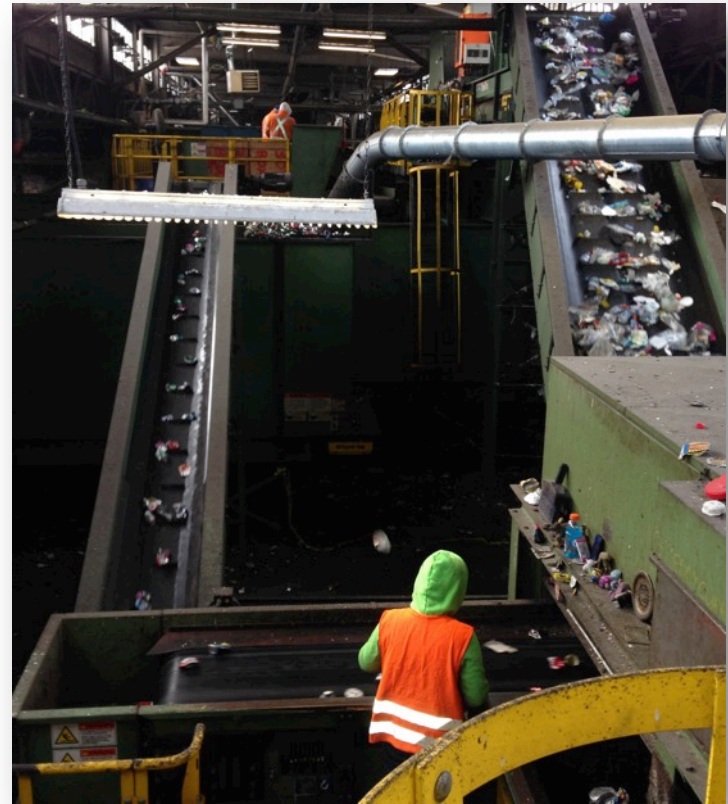
Municipal Considerations

- Cost=competitive rates
- Predictability in pricing
- Consistent service delivery standard
- Contingency



Contractor Considerations

- Capital allocation
- Flexibility to package up service cost-effectively
- Balance of risk
- Fair competition



Steward Considerations

- Optimization
- Capture rates
- Expansion of targeted material lists
- Program harmonization



Where Are We at Odds? – Performance Securities

- **Purpose:** Provide insurance for the municipality should a service contract be breached or terminated
- **Problem:**
 - So many different options – which one do you choose?
 - What is the correct \$ amount to set?
- **Solution:**
 - Bond minimum carrying amount to reflect replacement contract until new RFP issued & awarded

Where are we at Odds? – Statement of Work (SOW)

- **Purpose:** Defines performance standards & shapes service delivery model
- **Problem:**
 - Prescriptive statements limit innovation
 - Insufficient detail inflates contractor risk
- **Solution:** Provide information re: historical composition & volume incl. residuals

Where Are We at Odds? – RFP Circulation Timeline

- **Purpose:** Provide adequate time for bidder to develop business case
- **Problem:**
 - Contract requires significant capital investment (e.g. trucks)
 - Insufficient time for contractors to allocate capital for best business case
- **Solution:**
 - Extend timelines or change capital requirements for service contract
 - Allow older vehicles, cheaper alternatives

Where Are We at Odds? – Evaluation

- **Purpose:** Provide for fair assessment of technical (nonfinancial) & financial components of prospective bids
- **Problem:** Competition skewed when compliance with technical components misrepresented & pricing set unrealistically low
- **Solution:** Increased accountability to demonstrate past successful performance
 - Must verify contractor was not assessed liquidated damages & did not seek contract amendment because they underbid & couldn't cover costs

Where Are We at Odds? – Shared Risks

- **Purpose:** Provide for balance of risk between Municipality & Contractor in face of changing economic circumstances over contract
- **Problem:** Without mechanism to share escalating operating costs, expense falls on 1 party
 - usually the municipality
- **Solution:** Establish operating reserve fund

Where Are We at Odds? – Performance

- **Purpose:**
 - Provide recourse for breach of service delivery standard
 - Incentivize action that exceeds established standards
- **Problem:**
 - Adherence to established service delivery standards
 - Focus on negative i.e., managing breach vs. incentivizing performance
- **Solution:** Establish incentives

Where Do We Go From Here?

- Establish Better Practices
 - What's to be gained from Better Practices?
- How to establish them
 - Should CIF facilitate process to review the model RFPs with OWMA, Municipalities, & Stewards?
- Municipal 'Buy –In'
 - Are there concerns?
 - What are the obstacles to compliance?