



Report to: General Committee

Meeting Date: March 21, 2022

SUBJECT: 162-T-13 Pavement Preservation and Surface Treatment
Contract Extension

PREPARED BY: Alice Lam, Director, Operations Ext 4857
Melita Lee, Senior Buyer, Ext. 2239

RECOMMENDATION:

- 1) That the report entitled “162-T-13 Pavement Preservation and Surface Treatment Contract Extension” be received; and,
- 2) That the contract for Pavement Preservation and Surface Treatment be extended for one (1) year with an option to extend for an additional one (1) year to Miller Paving Limited in the estimated value of \$1,459,718.13 inclusive of HST;
 - a. January 1 – December 31, 2022 - \$759,718.13
 - b. January 1 – December 31, 2023 - \$700,000.00*

*Subject to CPI All Items Canada for the twelve (12) month period ending December; and,
- 3) That the award be funded from the capital accounts outlined in the Financial Considerations section with 2023 subject to Council approval; and,
- 4) That the tendering process be waived in accordance with Purchasing By-Law 2017-8, Part II, Section 11. Non-Competitive Procurement, items 11.1 (c) and (g), which state:
 - (c) When the extension of an existing Contract would prove more cost-effective or beneficial; and
 - (g) Where it is in the City’s best interest not to solicit a competitive bid; and further,
- 5) That Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

To obtain Council approval to extend the contract for pavement preservation and surface treatment for two (2) additional, separate one year terms (January 1 – December 31, 2022 and January 1, 2023 – December 31, 2023) at the same itemized pricing from the 2013 – 2021 contract subject to a CPI increase.

BACKGROUND:

This contract involves the pavement preservation of existing asphalt surfaces and surface treatment on designated streets in the City of Markham utilizing various methods including:

- Placement of micro-surfacing; utilizing
- Single and Double Lift applications

Pavement Preservation (Micro-Surfacing)

The City uses a pavement preservation process within the first 5 to 7 years of new asphalt surface life, which can extend the life of the asphalt surface between 7 to 10 years (as previously reflected in the Life Cycle study). The extension of the asphalt surface life eliminates the need to resurface the road through more costly asphalt resurfacing program strategies.

Of the total award of this contract, Pavement Preservation utilizing micro-surfacing is 80% of the contractual value.

In 2013, the City awarded the contract through a competitive procurement process for pavement preservation and surface treatment to Miller Paving Limited (Miller). The original contract term was for one (1) year (from date of award to December 31, 2013) with an option to renew for an additional three (3) years (2014 – 2016). The pricing for the first two years of the contract were fixed (2013-2014), with the remaining two (2) years (2015-2016) were subject to CPI escalation up to a maximum of 3%.

In 2017, Council approved the extension of the contract for an additional four (4) separate one (1) year periods (2017-2021) at the same itemized pricing with a CPI adjustment for each subsequent year. The contract expired on December 31, 2021.

OPTIONS/ DISCUSSION:

Due to the ongoing Covid-19 pandemic, Staff have been proactively reviewing expiring contracts to determine the best options moving forward and to mitigate any potential cost increase. Since Miller has provided pavement preservation and surface treatment services to the City since 2003 (low bidder in 2003, 2010 and 2013 tenders) and Operations are satisfied with their performance, Procurement reached out to Miller to see if they would be willing to extend their contract. In 2013, Miller was 15% lower than the second and only other bidder.

Staff anticipate that issuing a new tender will result in pricing of at least 15-20% more than current rates and follows similar trends as seen across multiple contracts with the industry in 2022. The anticipated increase is due to increases in baseline material costs (specifically for asphalt and emulsion based products and aggregates – both core components used in micro surfacing production), direct and indirect fuel costs.

Additionally, since 2007, the City has received a limited number of contractors bidding on this type of work. The bid response has ranged between 1 to 3 bid submissions for each tender. This particular surface treatment under this award is only done by two (2) companies. The locations of these two (2) companies are Barrie and Markham (Miller Paving Limited). Due to the logistics and proximity to the City's road works, Miller Paving Limited has always been the cost effective vendor.

By negotiating this extension, the City is able to secure an extension for contract 162-T-13 at the same 2021 itemized pricing with a CPI increase.

The extension of the current contract with Miller will negate any potential further price increases, ensure the continuity and provision pavement preservation and surface treatment services to the City. The challenges associated with Covid-19 for such services is not expected to subside until 2023, Staff are recommending that the existing contract be extended for one (1) year with an option to extend for an additional one (1) year.

Staff anticipate that challenges associated with Covid-19 will subside in 2023-2024 as the global economy recovers and releasing a new bid in 2023 for 2024 requirements.

FINANCIAL CONSIDERATIONS

The following table summarizes the financial impact of this award for 2022 in the amount of \$759,718.13 (inclusive of HST) by account:

Project Name	Account #	Budget Allocated for this	Estimated Cost of	Budget
		Purchase	Purchase	Remaining/(shortfall)
Asphalt Resurfacing - Pavement Preservation	050-61502225005	700,000		
Pavement Preservation	050-615021195005	59,718		
Total		759,718	759,718	-

*The 2023 extension amount of \$700,000 + CPI will be brought forth as a part of the annual Asphalt Resurfacing 2023 capital request and will be subject to Council approval of the 2023 capital budget.

HUMAN RESOURCES CONSIDERATIONS

Not applicable.

ALIGNMENT WITH STRATEGIC PRIORITIES:

Not applicable.

BUSINESS UNITS CONSULTED AND AFFECTED:

Procurement and Financial Services Departments have been consulted in the preparation of this report.

RECOMMENDED BY:

Alice Lam, Director
Operations

Morgan Jones, Commissioner
Community Services

ATTACHMENTS:

Not applicable.