



Report to: General Committee

Meeting Date: March 21, 2022

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**SUBJECT:** 0908-T-18 Pavement Markings Contract Extension  
**PREPARED BY:** Alice Lam, Director, Operations, Ext 4857  
Melita Lee, Senior Buyer, Ext. 2239

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**RECOMMENDATION:**

- 1) That the report entitled “098-T-18 Pavement Markings Contract Extension” be received; and,
- 2) That the contract for Pavement Markings be extended for one (1) year with an option to extend for an additional one (1) year to Guild Electric Ltd. in the estimated value of \$975,454.90 inclusive of HST;
  - a. January 1 – December 31, 2022 - \$487,727.45
  - b. January 1 – December 31, 2023 - \$487,727.45\*

\*Subject to CPI All Items Ontario for the twelve (12) month period ending October; and,
- 3) That the award be funded from the various capital and operating accounts outlined in the Financial Considerations section; and,
- 4) The budget shortfall of \$45,224.45 will be reported as an unfavourable variance at year end in the 2022 operating results and will be adjusted accordingly in the 2023 Operating budget; and,
- 5) 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,
- 6) 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 markings for two (2) additional, separate one year terms (January 1 – December 31, 2022 and January 1, 2023 – December 31, 2023) at a 31% increase over the 2018 – 2021 contract.

**BACKGROUND:**

Pavement markings and delineation serve an advisory or warning function, and complement other traffic control devices. They provide drivers with a preview of upcoming changes in the roadway, especially at night.

The Operations department oversees pavement markings maintenance annually for City wide roadways and city owned facilities. Pavement markings are subjected to weathering especially in the areas where traffic volumes are higher and the markings may become less visible.

In 2018, the City awarded the contract through a competitive procurement process for pavement markings to Guild Electric Ltd. (Guild). The original contract term was for one (1) year (from date of award to December 31, 2018) with an option to renew for an additional three (3) years (2019 – 2021) at the same itemized pricing. 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, Guild has provided pavement marking services to the City since 2004 (low bidder in 2004, 2008, 2011, 2014 and 2018 tenders) and Operations are satisfied with their performance, Procurement reached out to Guild to see if they would be willing to extend their contract.

During negotiations, Guild identified a willingness to extend, however, with the pavement marking industry experiencing unprecedented issues with supply chain due to volatility and shortages of raw materials, along with delays in shipping, increased labour costs, the negotiated cost from Guild is 31% higher compared to their 2018-2021 pricing.

To validate the price, Procurement reached out to two suppliers in this market and the pricing received was \$39,750 or 8% higher and \$227,905 or 46% higher compared to Guild's 2022 price.

The extension of the current contract with Guild will negate any potential further price increases, ensure the continuity and provision pavement marking services to the City, and provide continuing safety to the public. 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 \$487,727.45 (inclusive of HST) by account:

| Account Name                          | Account #          | Budget Available  | Cost of Award     | Budget Remaining/<br>(Shortfall) |
|---------------------------------------|--------------------|-------------------|-------------------|----------------------------------|
| Pavement Markings                     | 700-505-5307       | \$ 422,503        | \$ 467,727        | \$ (45,224)                      |
| Traffic Operational Improvements      | 083-5350-22049-005 | \$ 10,000         | \$ 10,000         | \$ -                             |
| Various walking & cycling initiatives | 083-5350-21041-005 | \$ 10,000         | \$ 10,000         | \$ -                             |
| <b>Totals</b>                         |                    | <b>\$ 442,503</b> | <b>\$ 487,727</b> | <b>\$ (45,224)</b>               |

The shortfall of \$45,224 will be reported as an unfavourable variance at year end in the 2022 operating results and will be adjusted accordingly in the 2023 Operating budget.

Compared to 2018-2021 prices, this contract represents an increase of 31%, however, the 2018-2021 pricing was fixed, and therefore, taking into consideration CPI increases over this 4 year period of 9.8%, the 2022 increase is equivalent to approximately 21.2% (31% - 9.8%).

## OPERATING BUDGET AND LIFE CYCLE IMPACT

The shortfall will be address as part of the 2023 Operating budget subject to Council approval. There will be no impact to the Life Cycle Reserve Study.

## 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