



Report to: General Committee

Meeting Date: April 23, 2018

SUBJECT: 002-S-18 Fire Pumper Apparatus Purchase Agreement for Five Years

PREPARED BY: Adam Grant, Deputy Chief, Ext. 5982
Patti Malone, Senior Buyer, Ext. 2239

RECOMMENDATION:

- 1) THAT the report entitled “002-S-18 Fire Pumper Apparatus Purchase Agreement for Five Years” be received;
- 2) AND THAT supply of One (1) Fire Pumper Apparatus be awarded to Safetek Emergency Vehicles (“Safetek”) in the total amount of \$763,722.97 CAD dollars inclusive of HST (\$596,658.57 USD);
- 3) AND THAT the funds for the Fire Pumper Apparatus award be provided from account 057-6150-18246-005 “Corporate Fleet Replacement-Fire” in the amount of \$840,227.47 CAD dollars;
- 4) AND THAT the balance remaining in the amount of \$76,504.50 (\$840,227.47 less \$763,722.97) will be returned to original funding source;
- 5) AND THAT the tendering process be waived in accordance with Purchasing By-Law 2004-341, Part II, Section 7 (1) (e) which states “where the City is acquiring specialized equipment, in which case the sources of supply may be identified based on technical specifications”;
- 6) AND THAT Safetek be the preferred supplier for four (4) additional years (2019-2022) for fire pumper apparatus;
- 7) AND THAT the Fire Chief and the Senior Manager of Purchasing & Accounts Payable be authorized to approve annual purchases of new fire pumper apparatus in years 2019-2022 subject to a maximum annual price adjustment that is to be capped based on the percentage change in the posted All-items CPI (Consumer Price Index) for Canada;
- 8) That Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to obtain approval to purchase one (1) fire pumper apparatus and to execute an agreement with Safetek for the pumper trucks for four years (2019 to 2022).

BACKGROUND:

The City's Life Cycle program has the following scheduled replacements over the next five years; two (2) in 2019, one (1) in 2020, one (1) in 2021 and three (3) in 2022 for a total of seven (7) fire pumper apparatus. In addition, should the City build the Town Centre Station, through DC funding, adding one (1) aerial truck during this five-year period making the overall total eight (8) fire apparatus (seven (7) pumpers \$5,346,060.79 plus one (1) aerial \$1,338,578.08 = \$6,684,638.87).

The City standardized the fire apparatus in 2001 and since this date, the City has purchased twenty-two (22) fire apparatus vehicles from Safetek through a non-competitive procurement process.

This arrangement enables Fire and Emergency Services staff to consider all aspects of apparatus management including post delivery service, original manufacturer resources, factory expertise and the longevity of vendors in the industry. In addition, this arrangement ensures interoperability with existing equipment, avoidance of substantial duplication of costs and continuity in technical training for fleet technicians (which supports best safety practices and efficiencies).

Continuity in the fire apparatus manufacturing industry is a concern where there is a continuous cycle of re-alignment in the business relationships between Canadian and American affiliates. Staff are satisfied with the equipment manufactured by Smeal and continues to work with the distributor Safetek to identify further "value added" opportunities such as technical training for fleet technicians. Smeal apparatus have proven to be a safe and high quality product. As a vendor, Safetek has been responsive and an effective advocate on warranty issues with Spartan (builder of the chassis) and Smeal. Safetek/Smeal provides on-going Original Equipment Manufacturer (OEM) training for both our mechanical and training staff.

OPTIONS/ DISCUSSION:

The practice of standardizing fire fleet and apparatus provides for interchangeability and interoperability with our existing equipment as well as reducing substantial duplication of costs for the City. Fleet standardization of vehicle platforms offers reduced costs and operational benefits, including, but not limited to, improved maintenance servicing, ease of technician training, technical knowledge, streamlined parts and fluids inventory, enhanced operational efficiency, and driver safety. Reduction in apparatus variation increases the operational efficiency of fire-rescue inventory costs, and higher product quality.

Procurement staff researched the market to identify the results of tender awards for fire apparatus across Canada over the last 7 years. Staff were able to obtain data on nine tender awards; four of which were awarded to Safetek and five to another manufacturer. All tenders were awarded to the lowest bidder.

On average, Safetek was \$29k or 4.2% higher. However, based on the benefits below, Staff are of the opinion that the operational efficiencies more than offset the potential higher price from Safetek.

The following are benefits the City realizes:

Interchangeability/Interoperability with existing equipment - Standardizing fire fleet and apparatus provides for interchangeability and interoperability with the City's existing equipment as well as reducing substantial duplication of costs for the City. Fleet standardization of vehicle platforms offers reduced costs and operational benefits, including, but not limited to, improved maintenance servicing, ease of technician training, technical knowledge, streamlined parts and fluids inventory, enhanced operational efficiency, and driver safety. Reduction in apparatus variation increases the operational efficiency of fire-rescue inventory costs, and higher product quality

Training efficiency costs – Eliminated the need for apparatus specific training. Training for 24 firefighters is reduced to a 4-hour in-service review from a 24-hour course. Existing training manuals and lecture notes can be updated, eliminating the requirement for new manuals and significantly reducing administrative time of training staff. Efficiency in this area means the Training Division can redeploy their efforts toward other training programs. This translates into approximately \$50,000 in efficiency savings.

Improved staff utilization – Reduced staff movements (mileage) and overtime paid to maintain specialized qualifications on unique apparatus. These costs associated with the standardized fleet have been eliminated.

Reduced downtime – Standardization of vehicles allow Fire mechanical staff to undertake repairs and subsequently recover costs from the manufacturer for warranty work performed in-house.

Reduced inventory levels - Standardization of vehicles results in common parts such as emergency lighting, filters, windshields and brakes has resulted in reduced inventory levels and committed funds.

Reliability - Smeal fire apparatus have generally averaged less than half the annual downtime (40 hours) for major services/inspections compared to other previous manufactured units. The City attributes savings of \$125/hr for the downtime period (i.e. $\$125 \times 40 \text{ hours} = \$5,000$ annually per unit). Minimized downtime results in greater availability of "front run" apparatus for emergency responses and less downtime of suppression crews for vehicle changeovers and station cover-ups.

Improved Process Management – Standardization eliminated the need to have an individual tender developed, issued, and administered (minimum 100 hours of staff time per tender), thereby allowing staff to reinvest their efforts into other projects and work commitment. Without standardization, since 2001, Fire, Operations, and Purchasing staff would have administered twelve tenders.

Planning and Operational Management – The preferred supplier approach has realized business operation benefits and represented good business practice for delivering on the outcome of a safe community.

Supplier and Partner Focus – The preferred supplier approach maximizes the supplier relationship by selecting a highly qualified supplier to deliver products and services that meet Markham's quality requirements and prices. Furthermore, waste is minimized by having requirements incorporated at the outset of any product design.

Safetek are the suppliers for fire apparatus to the following local municipalities: Toronto, Vaughan, Richmond Hill, Barrie, Ajax, Pickering, St. Catharines, Burlington and Kingston.

Negotiations

The price of the fire pumper apparatus overall has decreased by \$24,416.27 (\$19,075.21 USD X 1.28 exchange rate) or 3.9% compared to the City's last purchase in November 2015. To assist in mitigating cost, Staff removed the auxiliary power unit (APU) from the specification \$43,504.44 (\$33,987.84 USD x 1.28 exchange rate) and added a hydraulic generator. Staff determined that there are enough apparatus in the Fire fleet with the APU to maximize our resource capacity at a fire scene. Therefore, the APU is not warranted and will have no adverse effect on service delivery.

Staff also negotiated a reduction of \$8,583.46 from the original quotation by amending payment terms to 7 – 14 days in lieu of the standard 30 days. These savings have been included in the cost of award.

Additionally, Staff negotiated the following:

- \$500.00 USD for marketing and promotion program associated with the introduction of the apparatus into service.
- \$2,000.000 USD credit memoranda to purchase Safetek goods and services

Therefore, based on the above benefits, Staff recommend the following:

- Tendering process be waived in accordance with Purchasing By-Law and the City procure one fire pumper apparatus in 2018 from Safetek.
- The Fire Chief and the Senior Manager of Purchasing & Accounts Payable be authorized to approve annual purchases of new fire pumper apparatus in years 2019-2022 subject to a maximum annual price adjustment that is to be capped based on the percentage change in the posted All-items CPI (Consumer Price Index) for Canada.

Legal Considerations

The City is subject to the following new trade agreements, which apply to public sector procurements above a certain dollar threshold: the Canada-European Union Comprehensive Economic and Trade Agreement (CETA), effective September 21, 2017; and the Canadian Free Trade Agreement (CFTA), effective July 1, 2017.

The recommended contract award complies with the CETA and CFTA trade agreements.

FINANCIAL CONSIDERATIONS

The following table summarizes the financial considerations:

Details	\$'s
Budget - project #18246, "Corporate Fleet Replacement-Fire"	\$840,227.47
Less award amount for Fire Pumper	<u>\$763,722.97</u>
Budget remaining	\$ 76,504.50

The remaining budget in the amount of \$76,504.50 will be returned to the original funding source.

The incremental impact to the Life Cycle Reserve and Capital Replacement Fund is a reduction of \$535,531.50 (\$76,504.50 x 7 Pumpers) over the next 5 years (2018-2022) and is based on the 2018 unit price, subject to fluctuation of the USD exchange rate.

The award amount is based on an exchange rate of \$1.28 as at 21 December 2017 the date on which the US dollars were purchased to fund this expense.

HUMAN RESOURCES CONSIDERATIONS

"Not Applicable"

ALIGNMENT WITH STRATEGIC PRIORITIES:

Markham subscribes to the PEP Certification program from Excellence Canada (formerly National Quality Institute (NQI)). By applying its recommended quality framework at increasing level of difficulty, the performance of the organization is assured. The practice of standardizing fire fleet and apparatus and the use of preferred supplier supports Markham's desire to attain Level IV certification.

BUSINESS UNITS CONSULTED AND AFFECTED:

Fleet and Finance were consulted.

RECOMMENDED BY:

2018-04-13

X 

Dave Decker
Fire Chief
Signed by: cxa

2018-04-13

X 

Brenda Librecz
Commissioner, Community & Fire Services
Signed by: cxa