



Report to: General Committee

Meeting Date: June 8, 2017

SUBJECT: Contract Extension for Winter Maintenance Contracts:
(202-T-12) Supply of Equipment to Plow City Streets for
Winter Maintenance and (128-T-03) Hired Loaders

PREPARED BY: Patti Malone, Ext. 2239
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RECOMMENDATION:

- 1) THAT the report entitled “Contract Extension for Winter Maintenance Contracts: (202-T-12) Supply of Equipment to Plow City Streets for Winter Maintenance and (128-T-03) Hired Loaders” be received;
- 2) AND THAT Contract 202-T-12 Supply of Equipment to Plow City Streets for Winter Maintenance be extended to Defina Haulage Ltd., Donaldson Custom Farming Inc., VBN Paving Limited and Griffith Property Services Ltd. for an additional two (2) years (November 1, 2017 to April 1, 2019) as per the original contract term in the estimated value of \$1,705,260.89 inclusive of HST in year 1;
- 3) AND THAT Staff be authorized to extend Contract 202-T-12 Supply of Equipment to Plow City Streets for Winter Maintenance to Defina Haulage Ltd., Donaldson Custom Farming Inc., VBN Paving Limited and Griffith Property Services Ltd. for a further three (3) years (November 1, 2019 to April 1, 2022) in the estimated value of \$1,719,430.36 inclusive of HST in year 1;
- 4) AND THAT Contract (128-T-03) Hired Loaders be extended to Griffith Property Services Ltd., Larkin Construction and Wilson Contracting Ltd for an additional five (5) years (November 1, 2017 to April 1, 2022) in the estimated value of \$1,275,780.41 inclusive of HST in year 1;
- 5) AND THAT the tendering process be waived for recommendation # 3 and # 4 in accordance with Purchasing By-Law 2004-341, Part II, Section 7 (1) (c) which states “when the extension of an existing contract would prove more cost-effective or beneficial”;
- 6) AND THAT the 2018 – 2022 operating budgets and purchase orders for contract 202-T-12 and 128-T-03 be adjusted with a price escalation allowance based on the Consumer Price Index for Canada, all-items (March to March) and growth (increase in kilometers of roadway), subject to Council approval;
- 7) AND THAT the Q4 2017 financial impact for Contract 202-T-12 of \$1,740.03 and for Contract 128-T-03 of \$4,499.51, totaling \$6,239.54 be reported as part of the 2017 year end results;
- 8) AND THAT the 2018 operating budget be increased for the 2018 financial impact for Contract 202-T-12 of \$43,093.22 and for Contract 128-T-03 of \$34,422.11 for a total amount of \$77,515.33, subject to Council approval;

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 extend the following contracts:

1. Contract (202-T-12) Supply of Equipment to Plow City Streets for Winter Maintenance for an additional two (2) years (November 1, 2017 to April 1, 2019) and for a further three (3) years (November 1, 2019 to April 1, 2022) at the same itemized pricing and a price escalation allowance based on the Consumer Price Index for Canada, all-items.
2. Contract (128-T-03) Hired Loaders be extended for a further five (5) years (November 1, 2017 to April 1, 2022) at the same itemized pricing and a price escalation allowance based on the Consumer Price Index for Canada, all-items.

BACKGROUND:

This City has the following four major contracts for winter maintenance services:

1. Contract (095-T-08) Supply and Operation of Tandem/Single Axle Combination Plows: This contract has been awarded until 2023 with unit rates and standby rates that are only increased through an escalation allowance based on the Consumer Price Index for Canada, all-items.
2. Contract (032-T-08) Sidewalk Winter Maintenance; This contract has been awarded until 2023 with unit rates and standby rates that are only increased through an escalation allowance based on the Consumer Price Index for Canada, all-items.
3. Contract (202-T-12) Supply of Equipment to Plow City Streets for Winter Maintenance: Under this report Staff is seeking approval to extend the contract for five (5) years until 2022 with unit rates and standby rates that are only increased through an escalation allowance based on the Consumer Price Index for Canada, all-items.
4. Contract (128-T-03) Hired Loaders: Under this report Staff is seeking approval to extend the contract for five (5) years until 2022 with unit rates and standby rates that are only increased through an escalation allowance based on the Consumer Price Index (CPI) for Canada, all-items.

By extending the two (2) contracts under this report, Staff will be able to lock in pricing for five (5) years with only a CPI increase annually.

1. Contract (202-T-12): Supply of Equipment to Plow City Streets for Winter Maintenance

For Contract 202-T-12 Operations currently require forty-two (42) local road plows, of which 7 are graders belonging to Curtis, to assist in the removal of snow from the City's local road network for winter maintenance. Each area is to include at least one windrow truck to maintain seniors. Currently this contract has thirteen (13) windrow trucks to support the existing program for cleaning senior's driveways. The existing program calls for 3622 driveways to be cleaned.

The standby rates under this contract will be fixed for the term of the contract while operating rates are subject to annual consumer price index (CPI) escalation. The standby rate under this contract is fixed for the local road plows and tractors at \$152.64 per day (including HST impact) and \$55.97 per day (including HST impact) for the pick-up trucks for the windrow service.

For this two year extension Defina Haulage Ltd. for 1 Area of 7 units is seeking an operating rate increase to \$125.00/hour. All other contractors will extend the terms of the agreement utilizing the base operating rate.

The seven (7) graders provided by Curtis Enterprises Inc. (Curtis) will be replaced with seven (7) units from Griffith Property Services as Curtis will no longer be in the winter maintenance business. Griffith Property Services have agreed to provide these units at the same standby rate and a \$5 (\$145 to \$150) increase in hourly rates compared to Curtis pricing.

Rationale:

Staff tendered the Supply of Equipment to Plow City Streets for Winter Maintenance in 2012 and awarded the contract to the four (4) lowest priced bidders (Defina Haulage Ltd. Donaldson Custom Farming Inc. VBN Paving Limited and Griffith Property Services Ltd) for a five (5) year period (November 1, 2012 – March 31, 2017). The contract had an option to renew for an additional two (2) years. Under this report Staff are recommending to extend for an additional two (2) years (November 1, 2017 to April 1, 2019) as per the original contract term.

Additionally, Staff are recommending extending the contract for a further three (3) years (November 1, 2019 to April 1, 2022) under the Non-Competitive Procurement process of the Purchasing By-law. Staff believe extending the contract for an additional three (3) years will provide cost certainty as the City will maintain the same rates until 2022 with only a price escalation allowance based on the all items in CPI (Consumer Price Index) for Canada.

In 2012, when the City tendered this project, the City received ten (10) submissions. The City awarded the contract to the lowest priced four bidders as per the hourly rates below:

Supplier	Hourly rate
Defina Haulage Ltd.	\$73.36 going to \$125
Donaldson Custom Farming Inc.	\$152.64
VBN Paving Limited	\$172.99
Griffith Property Services Ltd.	\$178.08

In comparison to the remaining six (6) bidders who were not awarded the contract in 2012, those bidders had prices ranging from \$228/hour to \$559/hour.

2. Contract (128-T-03) Hired Loaders

Currently forty-one (41) loaders are used for winter maintenance to assist in the removal of snow on the City's local road network. The following suppliers have been under contract with City until March 31, 2017.

<u>Supplier</u>	<u>Unit type</u>	<u># of units</u>	<u>Hourly Rate</u>	<u>Standby Rate</u>
Griffith Property Services	Loader	17	\$ 117.38	\$ 101.38
Larkin Construction	Loader	10	\$ 138.49	\$ 101.38
Wilson Contracting Ltd	Loader	7	\$ 110.00	\$ 101.38
Markham Property Services	Loader	7	\$ 103.00	\$ 101.38

Staff entered into negotiations with the four (4) suppliers to extend the contract for an additional five (5) years at the same itemized pricing and a price escalation allowance based on the Consumer Price Index for Canada, all-items.

Of the four (4) suppliers, one (1) (Markham Property Services) is not interested in extending the current contract. Therefore, in lieu of issuing a bid to the market for Markham Property Services' seven (7) loaders, Staff negotiated with the remaining three (3) suppliers to assume all requirements.

Markham Property Services – 7 loaders

Griffith Property Service has agreed to assume four (4) loaders at their current rate and Wilson Contracting has agreed to assume three (3) loaders at their current rate.

Rationale:

Staff recommends extending the contract due to good performance from the three (3) suppliers and to ensure cost certainty. Recently, due to increased insurance and fuel costs the market has shown an increase in hourly rates for heavy machinery. By extending this contract, the City can mitigate any potential increases and lock in prices for 5 years.

FINANCIAL CONSIDERATIONS

Incremental Financial Impact

Contract #	Q4 2017	2018
202-T-12	\$ 1,740.03	\$ 43,093.22
128-T-03	\$ 4,499.51	\$ 34,422.11
Total	\$ 6,239.55	\$ 77,515.32

As outlined in the table above, the incremental financial impact to 2017 is \$6,239.55 (\$1,740.03 for contract 202-T-12 and \$4,499.51 for contract 128-T-03) which will be reported as part of the 2017 year end results of operations.

The increase reflects the terms of the contract as outlined in the report, including price escalation allowance based on CPI all items Canada (March to March).

The total 2018 impact is \$77,515.32 (\$43,093.22 for contract 202-T-12 and \$34,422.11 for contract 128-T-03). The 2018 operating budget will be adjusted accordingly, subject

to Council approval of the 2018 operating budget. Future operating budgets will also be adjusted, subject to Council approval of the 2019-2022 operating budgets.

Contract 202-T-12 will be funded from the annual operating budget accounts; 700-504-5351 - Standby Winter Graders and 700-504-5301 – Winter Maintenance Graders. And contract 128-T-03 will be funded from the annual operating budget accounts 700-504-5451 – Standby Winter Loaders and 700-504-5407 – Winter Loaders.

HUMAN RESOURCES CONSIDERATIONS

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

Transportation / Transit, Municipal Services, Parks, Public Safety and Accessibility.

BUSINESS UNITS CONSULTED AND AFFECTED:

Financial Services Department has been consulted in preparation of this report.

RECOMMENDED BY:
X

Morgan Jones
Director, Operations


X

Brenda Librecz
Commissioner, Community & Fire Services