



Report to: General Committee

Meeting Date: May 9, 2016

SUBJECT:	Award of Contract Extension 102-T-08 Servicing of Arena Refrigeration Equipment
PREPARED BY:	Lorne deHaas, Facility Supervisor, East Leanne Lee, Senior Buyer Purchasing

RECOMMENDATION:

- 1) THAT the report entitled “Award of Contract Extension 102-T-08 Servicing of Arena Refrigeration Equipment” be received; and
- 2) That the tender process be waived in accordance with Purchasing By-Law 2004-341, Part II, Section 7 Non Competitive Procurement, item 1 (c) which states “when the extension of an existing contract would prove more cost-effective or beneficial; and
- 3) THAT the contract for 102-T-08 Servicing of Arena Refrigeration Equipment be awarded to Cimco Refrigeration Inc. for the estimated contract value of \$594,299.72 inclusive of HST for a contract term of five (5) years (June 2016 to May 2021), subject to an annual CPI % increase (Canada from March to March) starting in Year 2 through to Year 5 (June 2017 to May 2021); and
- 4) THAT the award be funded from the various operating budget accounts for facility maintenance as identified with in the Financial Considerations Section subject to Council approval of the 2017 to 2021 Operating budgets; and
- 5) THAT the Director, Recreation and Senior Manager, Purchasing & Accounts Payable be authorized to exercise the option to renew the contract for an additional five (5) years subject to Council approval of the annual Operating Budgets; and
- 6) AND FURTHER 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 Council to award 102-T-08 Servicing of Arena Refrigeration Equipment for a contract term of five (5) years with a five (5) year renewal option.

BACKGROUND:

This contract is for an all-inclusive full service preventative maintenance program for arena refrigeration equipment at various recreation facilities providing service on a 24 hour, seven-days per week. The service includes refrigeration compressor overhaul, technical support, training, maintenance and on-site support for start up and shut down of all City rinks.

Cimco Refrigeration, the incumbent, is the largest Refrigeration Contractor in North America with over 5,000 rinks installed and is the NHL preferred rink supplier. They have provided services to the City of Markham for over 30 years and their knowledge and experience with of the City's refrigeration plants is beneficial during a breakdown, or in an emergency.

OPTIONS/ DISCUSSION:

The City may negotiate contracts outside the competitive contracting process, when negotiations can reasonably be expected to lead to price savings and/or operational efficiencies for the City, which could not be reasonably expected as achievable through competitive bidding process.

Several factors were discussed prior to deciding on the plan of action:

Staff has tendered the Servicing of Arena Refrigeration Equipment contract on three (3) separate occasions: 1998, 2003 and 2008. Cimco Refrigeration has been the lowest priced bidder on all three (3) of these competitive tenders

Year	Number of Bids received	Lowest Priced Bidder	Price Comparison
1998	1	Cimco Refrigeration	
2003	1	Cimco Refrigeration	27% increase over 1998*
2008	3	Cimco Refrigeration	53% decrease over 2003**

* In 2003, the price increased due to capital additions such as Ice Temperature Control Systems and new Dehumidifiers which were added to the existing service, and resulted in additional labour and material costs. Secondly, there were new regulations and legislation that required replacement/certification of components including the replacement of all relief valves in the refrigeration plants, which also increased the cost.

** In 2008, the price decreased by 53% compared to 2003 and Cimco Refrigeration was 49% lower than the second lowest priced bidder. The market started to change in 2008 as other bidders were entering the market; however, the prices quoted by those bidders were much higher in comparison to Cimco Refrigeration.

The market in 2016 is similar to 2008 and 2013, with Cimco Refrigeration continuing to be the low bid on similar contracts within other municipalities including the City of Aurora, the City of Peterborough, the City of London, the City of Vaughan and the Town of Ajax. These municipalities have awarded contracts to Cimco Refrigeration for servicing of arena refrigeration equipment; some were sole sourced, others with a competitive bidding process.

Bidder turnout and same bidders responding to tender

The past three (3) competitive tendering processes for Servicing of Arena Refrigeration Equipment have had low bidder turnout, and resulted in the same Bidder being awarded the contract. By negotiating this contract extension, the City will be able to maintain the same 2015 prices with an annual CPI increase (Canada from March to March) and avoid

any potential for large market increases.

FINANCIAL CONSIDERATIONS

The contract extension to Cimco Refrigeration for the Servicing of Arena Refrigeration Equipment totals to \$594,299.72 inclusive of HST over a five (5) year term.

➤ Year 1 - \$	118,859.94 *
➤ Year 2 - \$	118,859.94 **
➤ Year 3 - \$	118,859.94 **
➤ Year 4 - \$	118,859.94 **
➤ Year 5 - \$	118,859.94 **
Total	\$ 594,299.72

*Staff negotiated a 0% increase for Year 1.

**Years 2 – 5 are subject to CPI% increase (Canada; March to March), subject to Council approval of the 2017 to 2022 Operating budgets

The contract escalation for years 2 to 5 will be considered as part of the annual budget process.

Account #	Description	Budget Amount	Budget Available	Cost of Award, (June 1 - Dec, 31, 2016)	Budget Remaining
501 921 5314	Thornhill Community Centre	17,819	10,394	10,394	0
501 922 5314	Clatworthy Arena	10,182	5,940	5,940	0
502 922 5314	Crosby Arena	10,819	6,311	6,311	0
502 921 5314	Milliken Mills CC	10,182	5,940	5,940	0
503 921 5314	Centennial Arena	14,001	8,167	8,167	0
503 922 5314	Mount Joy Arena	10,819	6,311	6,311	0
503 923 5314	Markham Village Arena	10,182	5,940	5,940	0
504 921 5314	Angus Glen CC	15,273	8,909	8,909	0
504 211 5399	Civic Centre Ice Rink	19,584	11,424	11,424	0
	Total	118,860	69,336	69,335	0

CONCLUSION:

Based on the past history of this contract and the fact that there are few alternative service providers in this industry, Staff are recommending that that Cimco be awarded a new contract for a period of 5 years with an additional 5 year extension.

This option to extend the existing contract aligns with Part II, Section 7(1) (c) of the City Purchasing Bylaw 2004-341, whereby “the City may negotiate a contract for the supply of goods and services without a competitive process, when the extension of an existing contract would prove more cost-effective and beneficial”.

RECOMMENDED BY:

25/05/2016

X 

Mary Creighton
Director, Recreation Services

5/25/2016

X 

Brenda Librecz
Commissioner, Community and Fire Services