



Report to: General Committee

Date Report: June 11, 2015

SUBJECT: Contract Extension for Winter Maintenance Contracts:
(095-T-08) Supply and Operation of Tandem/Single Axle
Combination Plows and (032-T-08) Sidewalk Winter Maintenance

PREPARED BY: Patti Malone, Ext. 2239
Morgan Jones, Ext 2285

RECOMMENDATION:

- 1) THAT the report entitled "Contract Extension for Winter Maintenance Contracts: (095-T-08) Supply and Operation of Tandem/Single Axle Combination Plows and (032-T-08) Sidewalk Winter Maintenance" be received;
- 2) AND THAT Contract (095-T-08) Supply and Operation of Tandem/Single Axle Combination Plows be extended to D. Crupi & Sons Limited for an additional three (3) years (November 1, 2015 to April 1st, 2018) as per the original 2008 contract term in the estimated annual contractual value of \$1,896,955.00 inclusive of HST;
- 3) AND THAT Staff be authorized to extend Contract (095-T-08) Supply and Operation of Tandem/Single Axle Combination Plows D. Crupi & Sons Limited for a further five (5) years (November 1, 2018 to April 1st, 2023) at the sole discretion of the City in the estimated annual contractual value of \$1,896,955 .00 inclusive of HST;
- 4) AND THAT Contract (032-T-08) Sidewalk Winter Maintenance be extended to VTA Construction Ltd. and De Ferrari Construction Limited for an additional three (3) years (November 1, 2015 to April 1st, 2018) as per the original 2008 contract term in the estimated annual contractual value of \$ 2,088,234.00 inclusive of HST;
- 5) AND THAT Staff be authorized to extend Contract (032-T-08) Sidewalk Winter Maintenance be extended to VTA Construction Ltd. and De Ferrari Construction Limited to VTA Construction Ltd. and De Ferrari Construction Limited for a further five (5) years (November 1, 2018 to April 1st, 2023) at the sole discretion of the City in the estimated annual contractual value of \$2,088,234.00 inclusive of HST;
- 6) AND THAT the tendering process be waived for recommendations # 3 and 5 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";
- 7) AND THAT the 2016 – 2023 budgets and the corresponding purchase orders be adjusted for a price escalation allowance based on the Consumer Price Index (CPI), Canada All-items (March to March);
- 8) AND THAT the 2016 – 2023 budgets and the corresponding purchase orders be adjusted for growth (increase in kilometers of roadway) based on the Council approved service levels;

-
- 9) AND THAT funds be provided from the Accounts identified in the Financial Considerations section in the annual amount of \$ 3,985,189.00 (\$1,896,955.00+ \$2,088,234.00) inclusive of HST;
- 10) And further that Staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

Not applicable

PURPOSE:

The purpose of this report is to obtain approval to extend the following contracts:

1. Contract (095-T-08) Supply and Operation of Tandem/Single Axle Combination Plows for an additional three years (November 1, 2015 to April 1, 2018) and for a further five years (November 1, 2018 to April 1, 2023) at the sole discretion of the City.
2. Contract (032-T-08) Sidewalk Winter Maintenance for an additional three years (November 1, 2015 to April 1, 2018) and for a further five years (November 1, 2018 to April 1, 2023) at the sole discretion of the City.

BACKGROUND:

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

1. Contract (095-T-08) Supply and Operation of Tandem/Single Axle Combination Plows:

This contract is utilized for winter maintenance requirements for sanding/salting on primary, secondary and local roads and plowing operations on primary and secondary roads. This contract currently includes 21 tandem plows and 2 pickup trucks for working supervisors/coordinators.

These units are the first pieces of road maintenance equipment dispatched to clear snow and ice at the very start of a storm or as soon as accumulations (i.e. frost, ice, etc.) appear on the road surface.

2. Contract (032-T-08) Sidewalk Winter Maintenance

This contract is utilized for winter maintenance requirements for sanding/salting/plowing of the sidewalks throughout the City. This contract currently includes 28 sidewalk machines, 8 flatbed trucks and 2 pickup trucks for working supervisors/coordinators.

OPTIONS/ DISCUSSION:

In 2008, Staff awarded the contracts for Supply and Operation of Tandem/Single Axle Combination Plows (095-T-08) and Sidewalk Winter Maintenance (032-T-08) for a 7 year period (2008 -2015). The contracts which were issued in 2008 included an option to renew for an additional 3 years at the same terms, conditions and rates (except for an annual escalation linked to the Consumer Price Index (CPI), Canada All-items). Under this report, Staff are requesting approval to extend the contract for 3 additional years (November 1, 2015 to April 1st, 2018) as per the original contract term.

Additionally, Staff are requesting approval to extend the contracts for a further 5 years at the same terms, conditions and rates (except for an annual escalation linked to the Consumer Price Index (CPI), Canada All-items) from November 1, 2018 to April 1st, 2023 under the City's 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".

Staff believes it's in the best interests of the City to extend these contracts for the additional 5 years from November 1, 2018 to April 1st, 2023 for the following reasons:

1. Contract (095-T-08) Supply and Operation of Tandem/Single Axle Combination Plows:

Staff has tendered the Supply and Operation of Tandem/Single Axle Combination Plows contract on 2 separate occasions (2003 & 2008) in the last 15 years with D. Crupi & Sons Limited being the lowest priced bidder on both of these competitive tenders.

In 2008, the City issued a bid to the market and received 4 bids with D. Crupi & Sons Limited being the lowest priced bidder. D. Crupi & Sons Limited was 12% lower than the second lowest bidder (this bidder is no longer in the winter maintenance business as they sold their plow units). Additionally, D. Crupi & Sons Limited was 45% lower than the third lowest bidder (this bidder is still in the winter maintenance business).

Since the 2008 prices were significantly higher than 2003, Staff discussed with D. Crupi & Sons Limited the possibility of extending the contract for additional 5 years in order to mitigate potential cost increases.

By extending the contract, the City is realizing the following benefits:

Cost certainty

- Markham will maintain the same rates as our 2014/15 contract season for 8 years with a price escalation allowance based on the Consumer Price Index (CPI), Canada All-items (March to March).

New Vehicles

- The 21 units will be replaced for the 2016-2017 season including U body salting units. The current hired Crupi fleet operates a 'V- body' style hopper. The name V represents the configuration; simply it looks like a V. The U is named for similar reasons. The V body does not tip material like conventional dump trucks. All material is gravity fed to

the bottom once the conveyor moves the material to the side spinners. The U body gravity feeds as well but it does tip like all conventional dump trucks.

E3 (Excellence through efficiency and effectiveness)

- D Crupi & Sons will install automatic vehicle location (AVL) devices that meet the City standard in all vehicles at no cost to the City. (value of \$11,500)
- D Crupi & Sons will install 21 U body (dump truck body) at no cost to the City. (value of \$50,000/ vehicle)
- The new U body results in a more efficient process for salt removal which translates into estimated annual savings of \$63,000 per year. The estimated 2016 savings will be \$21,000.

Comparison to other municipalities

There are two components to this contract:

- Standby rate - Daily rate paid for each vehicle to be on call regardless of use.
- Hourly rate – Hourly rate for each vehicle/operator when in operation.

Comparing the above two components with other municipalities and applying the 2014/15 actual hours, the City's annual costs would be 2-10% lower.

2. Contract (032-T-08) Sidewalk Winter Maintenance

Staff tendered the Sidewalk Winter Maintenance contract on 2 separate occasions (2003 & 2008) in the last 15 years with VTA Construction Ltd. and De Ferrari Construction Limited being the lowest priced bidder in the 2008 competitive tender.

In 2008, the City issued a bid to the market and received 5 bids with VTA Construction Ltd. and De Ferrari Construction Limited being the lowest priced bidders. VTA Construction Ltd. and De Ferrari Construction Limited were 5% lower than the second lowest bidders.

By extending the contract, the City is realizing the following benefits:

Cost certainty

- Markham will maintain similar rates as our 2014/15 contract season for 8 years with a price escalation allowance based on the all items in CPI (Consumer Price Index) for Canada for the previous twelve month period

E3 (Excellence through efficiency and effectiveness)

- VTA Construction Ltd. and De Ferrari Construction Limited will install automatic vehicle location (AVL) devices in all their vehicles at no cost to the City. (value of \$7,000)

Comparison to other municipalities

There are two components to this contract:

- Standby rate - Daily rate paid for each vehicle to be on call regardless of use.
- Hourly rate – Hourly rate for each vehicle/operator when in operation.

Comparing the above two components with other municipalities and applying the 2014/15 actual hours, the City's annual costs would be in line with other municipalities.

Both contracts include a yearly performance review and over the past 7 years the performance from all contractors has been rated as very good by the Operation Department. The contract will include the opportunity to make service level adjustments.

FINANCIAL CONSIDERATIONS AND TEMPLATE:

Staff recommends that the contract (095-T-08) for the supply and operation of Tandem/Single Axle Combination Plows be extended to D. Crupi & Sons Limited for an additional three (3) years (November 1, 2015 to April 1st, 2018) as per the original contract term, and a further five (5) year contract term (November 1, 2018 to April 1st, 2023) in the estimated annual contractual value of \$1,896,955 inclusive of HST. The contract is subject to an annual price escalation allowance based on Consumer Price Index (CPI), Canada All-items (March to March). The estimated annual amount reflects CPI increases only. The 2016-2023 operating budgets are subject to Council approval.

The operating costs associated with the above contract (095-T-08) will be funded from accounts 700-504-5316 and 700-504-5353 "Winter maintenance tandem and standby". The 2015 base budget is \$1,895,176. The 2016 incremental costs of \$1,779 (\$1,896,955 - \$1,895,176) due to CPI (\$22,779) offset by the estimated reduction in hours (\$21,000) by utilizing the more efficient process for salt removal.

Staff also recommends that the contract (032-T-08) for sidewalk winter maintenance be extended to VTA Construction Ltd. and De Ferrari Construction Limited for an additional three (3) years (November 1, 2015 to April 1st, 2018) as per the original contract term, and a further five (5) year contract term (November 1, 2018 to April 1st, 2023) in the estimated annual contractual value of \$ 2,088,234.00 inclusive of HST. The contract is subject to an annual price escalation allowance based on Consumer Price Index (CPI), Canada All-items (March to March). The estimated annual amount reflects CPI increase only. The 2016 to 2023 operating budgets are subject to Council approval.

The operating costs associated with the above contract (032-T-08) will be funded from accounts 700-504-5302 and 700-504-5352 "Sidewalk winter maintenance and standby". The 2015 base budget is \$2,063,433. The 2016 incremental costs of \$24,801 (\$2,088,234 - \$2,063,433) due to CPI will be included as part of the 2016 operating budget.

Winter Maintenance Operating Budgets and the corresponding purchase orders will be adjusted for annual growth and price escalation.

HUMAN RESOURCES CONSIDERATIONS:

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

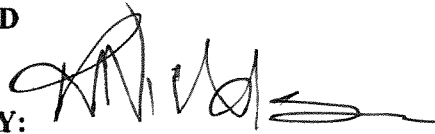
The reduction in vehicle usage will result in lower greenhouse gas emissions (GHG).

BUSINESS UNITS CONSULTED AND AFFECTED:

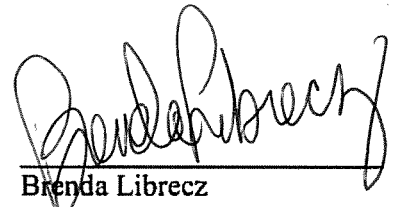
Not applicable

RECOMMENDED

BY:



Bob Nicholson
Acting Director, Operations



Brenda Librecz
Commissioner Community & Fire
Services