



STAFF REPORT ACTION REQUIRED

Requests for Quotation 6032-08-0011 to 6032-08-0019 (inclusive) for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads.

| | |
|--------------------------|--|
| Date: | May 20, 2008 |
| To: | Public Works and Infrastructure Committee |
| From: | General Manager, Transportation Services Acting Director, Purchasing and Materials Management |
| Wards: | All |
| Reference Number: | P:\2008\Internal Services\pmmd\pw08007pmmd (AFS 7802) |

SUMMARY

The purpose of this report is to advise on the results of the Requests for Quotation (RFQ) 6032-08-0011, 6032-08-0012, 6032-08-0013, 6032-08-0014, 6032-08-0015, 6032-08-0016, 6032-08-0017, 6032-08-0018 and 6032-08-0019 for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014 and 2014-2015 [seven (7) winter seasons], in accordance with specifications as required by Toronto Transportation Services, and to request authority to award contracts to the recommended bidders.

RECOMMENDATIONS

The General Manager of Transportation Services and the Acting Director of Purchasing and Materials Management Division recommend that:

1. Request for Quotation 6032-08-0011

City Council grant authority to award a contract for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 1, within Toronto and East York Area 1, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014, and 2014-2015 [seven (7) winter seasons], to Gazzola Paving Ltd, being the lowest bidder meeting specifications. The potential cost in the first winter season from October 15, 2008 to April 15, 2009 is in the amount of \$2,386,081.60 net of GST. The “Adjusting Index” noted in the RFQ will be implemented by the City annually commencing the second winter season and will be applied to reflect the percentage change in the cost of labour, vehicle capital and operational maintenance cost encountered by the recommended bidder over the term of the contract from the 2008 base year. Additional details related to the Adjusting Index are provided in Appendix A. The total potential contract award identified in this report is \$18,283,260.02 net of GST, including an estimate of the annual cost adjustments using 3% per year after year 1.

2. Request for Quotation 6032-08-0012

City Council grant authority to award a contract for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 2, within North York District, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014, and 2014-2015 [seven (7) winter seasons], to Cruickshank Construction Ltd., being the lowest bidder meeting specifications. The potential cost in the first winter season from October 15, 2008 to April 15, 2009 is in the amount of \$2,637,397.29 net of GST. The “Adjusting Index” noted in the RFQ will be implemented by the City annually commencing the second winter season and will be applied to reflect the percentage change in the cost of labour, vehicle capital and operational maintenance cost encountered by the recommended bidder over the term of the contract from the 2008 base year. Additional details related to the Adjusting Index are provided in Appendix A. The total potential contract award identified in this report is \$20,208,956.99 net of GST, including an estimate of the annual cost adjustments using 3% per year after year 1.

3. Request for Quotation 6032-08-0013

City Council grant authority to award a contract for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 3, within North York District, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014, and 2014-2015 [seven (7) winter seasons], to D. Crupi & Sons Limited, being the lowest bidder meeting specifications. The potential cost in the first winter season from October 15, 2008 to April 15, 2009 is in the amount of \$2,155,761.00 net of GST. The “Adjusting Index” noted in the RFQ will be implemented by the City annually commencing the second winter season and will be applied to reflect the percentage change in the cost of labour, vehicle capital and operational maintenance cost encountered by the recommended bidder over the term of the contract from the 2008 base year. Additional details related to the Adjusting Index are provided in Appendix A. The total potential contract award identified in this report is \$16,518,437.13 net of GST, including an estimate of the annual cost adjustments using 3% per year after year 1.

4. Request for Quotation 6032-08-0014

City Council grant authority to award a contract for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 4, within Scarborough District, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014, and 2014-2015 [seven (7) winter seasons], to D. Crupi & Sons Limited, being the lowest bidder meeting specifications. The potential cost in the first winter season from October 15, 2008 to April 15, 2009 is in the amount of \$3,356,105.00 net of GST. The “Adjusting Index” noted in the RFQ will be implemented by the City annually commencing the second winter season and will be applied to reflect the percentage change in the cost of labour, vehicle capital and operational maintenance cost encountered by the recommended bidder over the term of the contract from the 2008 base year. Additional details related to the Adjusting Index are provided in Appendix A. The total potential contract award identified in this report is \$25,716,027.64 net of GST, including an estimate of the annual cost adjustments using 3% per year after year 1.

5. Request for Quotation 6032-08-0015

City Council grant authority to award a contract for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 5, within Etobicoke York District, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014, and 2014-2015 [seven (7) winter seasons], to Steed & Evans Limited, being the lowest bidder meeting specifications. The potential cost in the first winter season from October 15, 2008 to April 15, 2009 is in the amount of \$2,915,774.00 net of GST. The “Adjusting Index” noted in the RFQ will be implemented by the City annually commencing the second winter season and will be applied to reflect the percentage change in the cost of labour, vehicle capital and operational maintenance cost encountered by the recommended bidder over the term of the contract from the 2008 base year. The total potential contract award identified in this report is \$22,342,008.00 net of GST, including an estimate of the annual cost adjustments using 3% per year after year 1.

6. Request for Quotation 6032-08-0016

City Council grant authority to award a contract for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 6, within Toronto and East York Area 1, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014, and 2014-2015 [seven (7) winter seasons], to K.J. Beamish Construction Co. Ltd being the lowest bidder meeting specifications. The potential cost in the first winter season from October 15, 2008 to April 15, 2009 is in the amount of \$2,665,707.60 net of GST. The “Adjusting Index” noted in the RFQ will be implemented by the City annually commencing the second winter season and will be applied to reflect the percentage change in the cost of labour, vehicle capital and operational maintenance cost encountered by the recommended bidder over the term of the contract from the 2008 base year. Additional details related to the Adjusting Index are provided in Appendix A. The total potential contract award identified in this report is \$20,425,881.37 net of GST, including an estimate of the annual cost adjustments using 3% per year after year 1.

7. Request for Quotation 6032-08-0017

City Council grant authority to award a contract for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 7, within Toronto and East York Area 2, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014, and 2014-2015 [seven (7) winter seasons], to Steed and Evans Ltd, being the lowest bidder meeting specifications. The potential cost in the first winter season from October 15, 2008 to April 15, 2009 is in the amount of \$2,509,579.40 net of GST. The “Adjusting Index” noted in the RFQ will be implemented by the City annually commencing the second winter season and will be applied to reflect the percentage change in the cost of labour, vehicle capital and operational maintenance cost encountered by the recommended bidder over the term of the contract from the 2008 base year. Additional details related to the Adjusting Index are provided in Appendix A. The total potential contract award identified in this report is \$19,229,557.24 net of GST including an estimate of the annual cost adjustments using 3% per year after year 1.

8. Request for Quotation 6032-08-0018

City Council grant authority to award a contract for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 8, within Scarborough District, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014, and 2014-2015 [seven (7) winter seasons], to Fowler Construction Company Limited, being the lowest bidder meeting specifications. The potential cost in the first winter season from October 15, 2008 to April 15, 2009 is in the amount of \$3,464,912.74 net of GST. The “Adjusting Index” noted in the RFQ will be implemented by the City annually commencing the second winter season and will be applied to reflect the percentage change in the cost of labour, vehicle capital and operational maintenance cost encountered by the recommended bidder over the term of the contract from the 2008 base year. Additional details related to the Adjusting Index are provided in Appendix A. The total potential contract award identified in this report is

\$26,549,762.83 net of GST, including an estimate of the annual cost adjustments using 3% per year after year 1.

9. Request for Quotation 6032-08-0019

City Council grant authority to award a contract for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 9, within Etobicoke York District, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014, and 2014-2015 [seven (7) winter seasons], to Carillion Canada Inc., being the lowest bidder meeting specifications. The potential cost in the first winter season from October 15, 2008 to April 15, 2009 is in the amount of \$3,171,965.34 net of GST. The "Adjusting Index" noted in the RFQ will be implemented by the City annually commencing the second winter season and will be applied to reflect the percentage change in the cost of labour, vehicle capital and operational maintenance cost encountered by the recommended bidder over the term of the contract from the 2008 base year. Additional details related to the Adjusting Index are provided in Appendix A. The total potential contract award identified in this report is \$24,305,064.46 net of GST, including an estimate of the annual cost adjustments using 3% per year after year 1.

The total potential cost to the City of nine contract awards is \$193,578,955.68 net of GST, including an estimate of the annual cost adjustments using 3% per year after Year 1.

FINANCIAL IMPACT

The total potential cost of the nine contract awards over the seven winter seasons is \$202,540,944.37 including all charges and applicable taxes and an estimate of the annual cost adjustments using 3% per year after year 1. The annual cost estimate of 3% growth is consistent with the increase in winter maintenance contract prices over the last 5 years. The total potential cost to the City is \$193,578,955.68 net of GST including an estimate of the annual cost adjustments using 3% per year after year 1. Funds needed between October 15 to December 31, 2008 will be provided in the Transportation Services Division's 2008 Operating Budget in the amount of \$9,190,943.80 net of GST from various operating accounts as noted in the table below. The approval of the nine contract awards will commit the City to be \$6,423,643.80 over budget in the amount allocated for winter maintenance in the Transportation Services Division's 2008 Operating Budget. The shortfall will be funded from the Winter Control Stabilization Reserve. The remaining first winter's funding need between January 1 and April 15, 2009 in the amount of \$16,072,342.17, along with the first part of the second winter's adjusted cost, will be submitted for approval in the 2009 budget submission. The budget for the first winter season requirement is \$25,263,283.97 net of GST.

| Operating Budget Funding Details – First Winter Season 2008/2009 | | | | | |
|---|----------------------|--------------------------|-----------------------------|----------------------------|-------------------------|
| RFQ # | District | Operating Account | Oct. 15-Dec. 31 2008 | Jan. 1-Apr. 15 2009 | Total |
| 6032-08-0011 | Toronto & | TP0108 | \$ 867,665.81 | \$ 1,518,415.79 | \$ 2,386,081.60 |
| 6032-08-0016 | East York | TP0108 | \$ 969,348.22 | \$ 1,696,359.38 | \$ 2,665,707.60 |
| | | Sub-total | \$ 1,837,014.03 | \$ 3,214,775.17 | \$ 5,051,789.20 |
| 6032-08-0017 | Toronto & | TP0120 | \$ 912,574.33 | \$ 1,597,005.07 | \$ 2,509,579.40 |
| | East York | Sub-total | \$ 912,574.33 | \$ 1,597,005.07 | \$ 2,509,579.40 |
| 6032-08-0012 | North York | TP0189 | \$ 1,097,157.29 | \$ 1,540,240.00 | \$ 2,637,397.29 |
| 6032-08-0013 | North York | TP0189 | \$ 896,796.50 | \$ 1,258,964.50 | \$ 2,155,761.00 |
| | | Sub-total | \$ 1,993,953.79 | \$ 2,799,204.50 | \$ 4,793,158.29 |
| 6032-08-0014 | Scarborough | TP0216 | \$ 891,490.34 | \$ 2,464,614.66 | \$ 3,356,105.00 |
| 6032-08-0018 | Scarborough | TP0216 | \$ 1,019,353.25 | \$ 2,445,559.49 | \$ 3,464,912.74 |
| 6032-08-0015 | Etobicoke | TP0161 | \$ 1,214,905.83 | \$ 1,700,868.17 | \$ 2,915,774.00 |
| 6032-08-0019 | Etobicoke | TP0161 | \$ 1,321,652.23 | \$ 1,850,313.11 | \$ 3,171,965.34 |
| | | Sub-total | \$ 4,447,401.65 | \$ 8,461,355.43 | \$ 12,908,757.08 |
| Total – 1st Winter Season | | | \$ 9,190,943.80 | \$16,072,342.17 | \$ 25,263,283.97 |

Estimated Costs – Years 2-7

| Year | Estimated Costs |
|-------------|------------------------|
| 09/10 | \$26,021,182.18 |
| 10/11 | \$26,801,817.65 |
| 11/12 | \$27,605,872.17 |
| 12/13 | \$28,434,048.34 |
| 13/14 | \$29,287,069.79 |
| 14/15 | \$30,165,681.88 |

Future funding will be requested in subsequent annual Transportation Services Operating Budget submissions for the required portions of the contract period.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

ISSUE BACKGROUND

Request for Quotation 6032-08-0011 was advertised by the Purchasing and Materials Management Division on March 10, 2008 on the City's Internet Website. The Purchasing and Materials Management Division at its Public Opening held on April 16, 2008, opened two (2) bids received for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 1, within Toronto and East York District Area 1, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014 and 2014-2015 [seven (7) winter seasons].

The following is the summary of bids received for Depot 1.

| Bidder | Winter 2008/2009 (net of GST) |
|-----------------------|--|
| Gazzola Paving Ltd | \$2,386,081.60 |
| Carillion Canada Inc. | \$2,548,303.65 |

Request for Quotation 6032-08-0012 was advertised by the Purchasing and Materials Management Division on March 10, 2008 on the City's Internet Website. The Purchasing and Materials Management Division at its Public Opening held on April 16, 2008, opened the three (3) bids received for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 2, within North York District, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014 and 2014-2015 [seven (7) winter seasons].

The following is the summary of bids received for Depot 2.

| Bidder | Winter 2008/2009 (net of GST) |
|-------------------------------|--|
| Cruickshank Construction Ltd. | \$2,637,397.29 |
| Carillion Canada Inc. | \$2,931,061.49 |
| Miller Paving Inc. | \$3,822,233.50 |

Request for Quotation 6032-08-0013 was advertised by the Purchasing and Materials Management Division on March 10, 2008 on the City's Internet Website. The Purchasing and Materials Management Division at its Public Opening held on April 16, 2008, opened the three (3) bids received for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 3, within North York District, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014 and 2014-2015 [seven (7) winter seasons].

The following is the summary of bids received for Depot 3.

| Bidder | Winter 2008/2009 (net of GST) |
|-------------------------|--|
| D. Crupi & Sons Limited | \$2,155,761.00 |
| Carillion Canada Inc. | \$2,813,193.97 |
| Miller Paving Inc. | \$2,873,837.50 |

Request for Quotation 6302-08-0014 was advertised by the Purchasing and Materials Management Division on March 10, 2008 on the City's Internet Website. The Purchasing and Materials Management Division at its Public Opening held on April 16, 2008, opened the five (5) bids received for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 4, within Scarborough District, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014 and 2014-2015 [seven (7) winter seasons].

The following is the summary of bids received for Depot 4.

| Bidder | Winter 2008/2009 (net of GST) |
|-------------------------------------|--|
| D. Crupi & Sons Limited | \$3,356,105.00 |
| Fowler Construction Company Limited | \$3,696,243.95 |
| Carillion Canada Inc. | \$3,923,602.59 |
| Cruickshank Construction Ltd. | \$4,102,528.40 |
| Miller Paving Limited | \$4,750,195.00 |

Request for Quotation 6302-08-0015 was advertised by the Purchasing and Materials Management Division on March 10, 2008 on the City's Internet Website. The Purchasing and Materials Management Division at its Public Opening held on April 16, 2008, opened the three (3) bids received for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 5, within Etobicoke York District, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014 and 2014-2015 [seven (7) winter seasons].

The following is the summary of bids received for Depot 5.

| Bidder | Winter 2008/2009 (net of GST) |
|------------------------------|--|
| Steed and Evans Limited | \$2,915,774.00 |
| Carillion Canada Inc. | \$3,495,437.27 |
| Cruikshank Construction Ltd. | \$3,523,636.34 |

Request for Quotation 6032-08-0016 was advertised by the Purchasing and Materials Management Division on March 10, 2008 on the City's Internet Website. The Purchasing and Materials Management Division at its Public Opening held on April 16, 2008, opened four (4) bids received for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 1, within Toronto and East York District Area 1, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014 and 2014-2015 [seven (7) winter seasons].

The following is the summary of bids received for Depot 6.

| Bidder | Winter 2008/2009 (net of GST) |
|-----------------------------------|--|
| K.J. Beamish Construction Co. Ltd | \$2,665,707.60 |
| Gazzola Paving Ltd | \$2,852,748.60 |
| Carillion Canada Inc. | \$2,891,857.90 |
| Cruikshank Construction Ltd. | \$3,068,781.55 |

Request for Quotation 6032-08-0017 was advertised by the Purchasing and Materials Management Division on March 10, 2008 on the City's Internet Website. The Purchasing and Materials Management Division at its Public Opening held on April 16, 2008, opened two (2) bids received for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 1, within Toronto and East York District Area 2, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014 and 2014-2015 [seven (7) winter seasons].

The following is the summary of bids received for Depot 7.

| Bidder | Winter 2008/2009 (net of GST) |
|------------------------------|--|
| Steed And Evans Ltd | \$2,509,579.40 |
| Cruikshank Construction Ltd. | \$2,759,520.23 |

Request for Quotation 6302-08-0018 was advertised by the Purchasing and Materials Management Division on March 10, 2008 on the City's Internet Website. The Purchasing and Materials Management Division at its Public Opening held on April 16, 2008, opened the five (5) bids received for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 9, within Scarborough District, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014 and 2014-2015 [seven (7) winter seasons].

The following is the summary of bids received for Depot 8.

| Bidder | Winter 2008/2009 (net of GST) |
|---------------------------------------|--|
| Fowler Construction Company Limited | \$3,464,912.74 |
| Carillion Canada Inc. | \$3,765,058.16 |
| Cruikshank Construction Ltd. | \$4,002,999.63 |
| Miller Paving Limited | \$4,327,515.00 |
| K.J. Beamish Construction Co. Limited | \$4,416,375.00 |

Request for Quotation 6302-08-0019 was advertised by the Purchasing and Materials Management Division on March 10, 2008 on the City's Internet Website. The Purchasing and Materials Management Division at its Public Opening held on April 16, 2008, opened the two (2) bids received for Winter Maintenance on City of Toronto Roads, Salting, Snow Ploughing and Snow Removal for Expressways, Arterial and Collector Roads, Depot 9, within Etobicoke York District, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014 and 2014-2015 [seven (7) winter seasons].

The following is the summary of bids received for Depot 9.

| Bidder | Winter 2008/2009 (net of GST) |
|------------------------------|--|
| Carillion Canada Inc. | \$3,171,965.34 |
| Cruikshank Construction Ltd. | \$3,378,704.40 |

DECISION HISTORY

Council at its meeting held on June 19, 20 and 22, 2007 adopted the motion authorizing the General Manager, Transportation Services to issue Requests for Quotations for Winter Maintenance Services for seven (7) year terms covering the period November 2008 to April 2015. Refer to Motion 1 of Item PW6.14 on Page 70 of the following decision document link at <http://www.toronto.ca/legdocs/mmis/2007/pw/reports/2007-05-30-pw06-cr.pdf>

COMMENTS

The Quotation documentation submitted by the recommended bidders have been reviewed by the General Manager of Transportation Services and were found to be in conformance with the Request for Quotation requirements.

Transportation Services staff have compared the low bid for each depot to the estimated cost and found the prices of the recommended bidders to be reasonable and within the budget available.

The Fair Wage Office has reported that the recommended firms have indicated they have reviewed and understand the Fair Wage Policy and Labour Trades requirements and have agreed to comply fully.

CONTACTS

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SIGNATURES

V. Tryl, P.Eng.
Acting Director
Purchasing and Materials Management

Gary Welsh
General Manager
Transportation Services

ATTACHMENT
Appendix A – Adjusting Index

APPENDIX “A” ADJUSTING INDEX

The “Adjusting Index” will be determined by the City and will be applied to reflect the percentage increase or decrease in the cost of labour, vehicle capital and operational maintenance cost encountered by the Successful Bidders over the term of the Contract.

The “Adjusting Index” is based upon:

Index A - City of Toronto Winter Maintenance Services Fair Wage rates, hourly rates and fringe benefits.

Index B - OPSS 127. Schedule of rental rates for construction equipment including model and specification reference.

Classification: 127.02.08.07 Haulage equipment, Dump-Tandem Rear Axle, Diesel or Gas

Category Average of the first three weight classifications listed not including the Stone Slinger category. If this is increased / decreased in subsequent years then the classification shall be based for that particular year on the increased / decreased weight classifications.

Index C – Overhead, administration costs, insurance, bonding, etc.

The above indices will be arithmetically converted to a common base (May 1, 2008 = 100), and applied to arrive at the adjusting index as follows:

Adjusting Index = 50% of Index A + 35% of Index B + 15% (Index C Not Adjusted)

And each individual index will be calculated as follows:

$$\text{Index A} = \frac{\text{May 1 Index A (2009 – 2015)}}{\text{May 1, 2008 Index A}}$$

$$\text{Index B} = \frac{\text{May 1 Index B (2009 – 2015)}}{\text{May 1, 2008 Index B}}$$

$$\text{Index C} = 15\% \text{ (Not Adjusted)}$$

The Successful Bidder’s bid prices will apply until May 1st of the year following contract award. The adjusting index will then be revised and applied on the basis of the rates for May 1st of each of the following years of the Contract.

The adjusting index will increase or decrease payments equal to 50% of the change in labour cost and 35% of the change in vehicle operating and maintenance costs. The remaining 15% is not subject to adjustment.

Note:

The Adjusting Index formula outlined above is consistent with the Adjusting Index formula used in the previous snow removal contracts.

The Adjusting Index increased 14.9% over the last 5 year contract (2003/2004 to 2007/2008) – An average of 3% per year.

It is estimated that the increase in the Adjusting Index for this contract will remain consistent at an average of 3% per year.