



**STAFF REPORT
ACTION REQUIRED**

Contract Award - Requests for Quotation 6032-08-0222 and 6032-08-0223 Winter Maintenance on City of Toronto Roads, Spreading of Salt or Treated Sand on Local Roads, East and West Area for Oriole Depot, 2751 Old Leslie Street and Ingram Depot, 85 Ingram Drive within North York District.

Date:	August 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\pw08014pmmd (AFS 8347)

SUMMARY

The purpose of this report is to advise on the results of the Requests for Quotation (RFQ) 6032-08-0222, and 6032-08-0223 Spreading of Salt or Treated Sand on Local Roads, for City of Toronto Roads, North York District; for the West Area, Ingram Depot, 85 Ingram Drive and for the East Area, Oriole Depot, 2751 Old Leslie Street, from November 1, 2008 to April 7, 2009 and the 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 6032-08-0222
City Council grant authority to award a contract for Spreading of Salt or Treated Sand on Local Roads, for City of Toronto Roads within the North York District, for the West Area, Ingram Depot, 85 Ingram Drive, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012,

2012-2013, 2013-2014, and 2014-2015 [seven (7) winter seasons], to Miller Paving Ltd., being the lowest bidder meeting specifications. The potential cost in the first winter season from November 1, 2008 to April 7, 2009 is in the amount of \$798,273.50 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 \$6,116,740.50 net of GST, including an estimate of the annual cost adjustments using 3% per year after year 1.

2. Request for Quotation 6032-08-0223

City Council grant authority to award a contract for Spreading of Salt or Treated Sand on Local Roads, for City of Toronto Roads within the North York District, for the East Area, Oriole Depot, 2751 Old Leslie Street, for the 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014, and 2014-2015 [seven (7) winter seasons], to Defina Haulage Ltd., being the lowest bidder meeting specifications. The potential cost in the first winter season from November 1, 2008 to April 7, 2009 is in the amount of \$711,092.00 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 \$5,448,715.56 net of GST, including an estimate of the annual cost adjustments using 3% per year after year 1.

The total potential cost of the two combined contract awards is \$11,565,456.06 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 two contract awards over the seven winter seasons is \$12,143,728.86 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 for spreading of salt or treated sand on local roads contract prices over the last 5 years. The total potential cost to the City is \$11,565,456.06 net of GST including an estimate of the annual cost adjustments using 3% per year after year 1. Funds needed between November 1 to December 31, 2008 will be provided in the Transportation Services Division’s 2008 Operating Budget in the amount of \$582,729.72 net of GST from various operating accounts as noted in the table below. As a result of approval of all winter maintenance contracts, there is a potential to overspend the Winter Stabilization Reserve in the amount of approximately \$7,000,000.00 in 2008. Part of this potential overage may be absorbed within the overall Transportation Services Approved 2008 Operating Budget. The General Manager of Transportation and the Deputy City Manager and Chief Financial Officer will continue to monitor the overall variances on a quarterly basis and will report back to the

Public Works and Infrastructure Committee following the third quarter variance report, if necessary, on any additional required funding.

The remaining first winter's funding need between January 1 and March 31, 2009 in the amount of \$926,635.78 net of GST, 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 \$ 1,509,365.50 net of GST.

Operating Budget Funding Details – First Winter Season 2008/2009					
RFQ #	District	Operating Account	Nov. 1 -Dec. 31 2008	Jan. 1-Apr 7 2009	Total (net GST)
6032-08-0222	North York	TP0189	\$308,194.20	\$490,079.30	\$798,273.50
6032-08-0223	North York	TP0189	\$274,535.52	\$436,556.48	\$711,092.00
		Sub-total	\$582,729.72	\$926,635.78	\$1,509,365.50
Total – 1st Winter Season					\$1,509,365.50

Estimated Costs (net GST) – Years 2 to 7

Year	Estimated Costs
09/10	\$1,554,646.47
10/11	\$1,601,285.86
11/12	\$1,649,324.43
12/13	\$1,698,804.17
13/14	\$1,749,768.29
14/15	\$1,802,261.34

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 number 6032-08-0222 was advertised by the Purchasing and Materials Management Division on June 12, 2008 on the City's Internet Website.

The Purchasing and Materials Management Division, at its Public Opening held on July 8, 2008, opened the seven (7) bids received for Spreading of Salt or Treated Sand on Local Roads, for City of Toronto Roads, North York District; for the areas of West Area and Ingram Depot, 85 Ingram Drive, within the 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 Quotation number 6032-08-0222.

Bidder	Winter 2008/2009 (net of GST)
Miller Paving Ltd	\$798,273.50*
Fermar Paving Ltd.	\$837,008.59*
Sidcon Contracting Ltd.	\$850,304.00
Gazzola Paving Ltd.	\$913,846.00
D. Crupi & Sons Ltd.	\$1,028,086.00
Onyx Corp.	\$1,208,500.00
Carillion Canada Inc.	\$1,667,945.09*

* Price quoted corrected due to mathematical errors. PMMD has verified that the mathematical errors were corrected.

Request for Quotation number 6032-08-0223 was advertised by the Purchasing and Materials Management Division on June 12, 2008 on the City's Internet Website.

The Purchasing and Materials Management Division, at its Public Opening held on July 8, 2008, opened the five (5) bids received for Spreading of Salt or Treated Sand on Local Roads, for City of Toronto Roads, North York District; for the areas of East Area for Oriole Depot, 2751 Old Leslie Street within the 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 Quotation number 6032-08-0223.

Bidder	Winter 2008/2009 (net of GST)
Defina Haulage Ltd.	\$711,092.00
Miller Paving Ltd.	\$718,633.00
D. Crupi & Sons Ltd.	\$875,536.00
Carillion Canada Inc.	\$1,023,323.12
Onyx Corp.	\$1,211,348.00

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 Bids 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 bids to the estimated costs and found the price 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 has agreed to comply fully.

CONTACTS

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SIGNATURES

Gary Welsh
General Manager
Transportation Services

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

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.