



STAFF REPORT ACTION REQUIRED

Sole Source Amendments for Various Contracts for Heavy Equipment Repair and with Geoware Inc.

Date:	September 25, 2008
To:	Public Works and Infrastructure Committee
From:	Acting Director, Purchasing and Materials Management General Manager, Solid Waste Management Services
Wards:	All
Reference Number:	p:/2008/swms/Oct./012PW

SUMMARY

This report requests authority to amend and extend the various sole source contracts for multiple vendors for heavy equipment maintenance services as required by Solid Waste Management Services Division (SWMS) from January 1, 2009 to December 31, 2009 with the option to renew for three (3) additional separate one (1) year periods. This report also seeks authority to redistribute funds between the contracts while not exceeding the total combined contract value. These contracts will ensure that maintenance and warranty repairs are performed by authorized representatives of the equipment manufacturers.

In addition, this report requests authority to amend and extend the sole source agreement with Geoware Inc. for weighscale licensing, servicing and maintenance from January 1, 2010 to December 31, 2010, to allow sufficient time to complete the RFP process, including award and implementation, for the provision of weighscale software.

RECOMMENDATIONS

The General Manager, Solid Waste Management Services Division, and Acting Director, Purchasing and Materials Management Division recommend that:

1. City Council grant Sole Source authority to extend the term of blanket contract 47011147 to Ontrac Equipment Services Inc. for maintenance, repairs and parts for heavy equipment for the period of January 1, 2009 to December 31, 2009 with the option to renew for three (3) additional one-year periods to the General Manager of Solid Waste Management Services Division. The original approved

- contract amount of \$1,817,000.00 is sufficient for the extension including the option year renewals. Should the options to renew be exercised, the General Manager of Solid Waste Management Services Division will instruct the Director of Purchasing and Materials Management Division to process the contract renewals under the same terms and conditions. The total potential cost including option years for the blanket contract for Ontrac Equipment Services Inc. is \$1,817,000.00 net of GST.
2. City Council grant Sole Source authority to extend the term and increase the amount for blanket contract 47011145 to Toromont Cat Division for maintenance, repairs and parts for heavy equipment for the period of January 1, 2009 to December 31, 2009 with the option to renew for three (3) additional one-year periods to the General Manager of Solid Waste Management Services Division. No increase in value is required for the period January 1, 2009 to December 31, 2011. An increase of \$121,084.00 net of GST is requested for the period of January 1, 2012 to December 31, 2012. Should the options to renew be exercised, the General Manager of Solid Waste Management Services Division will instruct the Director of Purchasing and Materials Management Division to process the contract renewals under the same terms and conditions. The total potential cost for the blanket contract for Toromont Cat Division will be increased by \$121,084.00 net of GST from \$1,891,000.00 net of GST to \$2,012,084.00 net of GST.
 3. City Council grant Sole Source authority to extend the term of blanket contract 47011146 to Walking Floor International Canada for maintenance, repairs and parts for heavy equipment for the period of January 1, 2009 to December 31, 2009 with the option to renew for three (3) additional one-year periods to the General Manager of Solid Waste Management Services Division. The original approved contract amount of \$1,010,000.00 net of GST is sufficient for the extension including the option year renewals. Should the option to renew be exercised, the General Manager of Solid Waste Management Services Division will instruct the Director of Purchasing and Materials Management Division to process the contract renewals under the same terms and conditions. The total potential cost for the blanket contract for Walking Floor International Canada, including option years, is \$1,010,000.00 net of GST.
 4. City Council grant Sole Source authority to extend the term of blanket contract 47011144 to Liebherr Canada Ltd. for maintenance, repairs and parts for heavy equipment for the period of January 1, 2009 to December 31, 2009 with the option to renew for three (3) additional one-year periods to the General Manager of Solid Waste Management Services Division. The original approved contract amount of \$444,000.00 net of GST is sufficient for the extension including the option year renewals. Should the option to renew be exercised, the General Manager of Solid Waste Management Services Division will instruct the Director of Purchasing and Materials Management Division to process the contract renewals under the same terms and conditions. The total potential cost for the

blanket contract including option years, for Liebherr Canada Ltd, is \$444,000.00 net of GST.

5. City Council grant authority to increase the over expenditure amount of the blanket contract 47011181 to Strongco Equipment for maintenance, repairs and parts for heavy equipment for the period of January 1, 2008 to December 31, 2008 by \$112,000.00 net of GST from \$808,000.00 net of GST to \$920,000.00 net of GST.
6. City Council grant Sole Source authority to extend the term and increase the amount of the blanket contract 47011181 to Strongco Equipment for maintenance, repairs, and parts for heavy equipment for the period of January 1, 2009 to December 31, 2009 with the option to renew for three (3) additional one-year periods to the General Manager of Solid Waste Management Services Division. The total increase requested for January 1, 2009 to December 31, 2009 is \$570,000.00 net of GST. The total increases requested for the renewal options are \$587,000.00 net of GST for the period of January 1, 2010 to December 31, 2010, \$605,000.00 net of GST for the period of January 1, 2011 to December 31, 2011 and \$625,000.00 net of GST for the period of January 1, 2012 to December 31, 2012. Should the options to renew be exercised, the General Manager of Solid Waste Management Services Division will instruct the Director of Purchasing and Materials Management Division to process the contract renewals under the same terms and conditions. The total potential cost for the blanket contract for Strongco Equipment will be increased by \$2,387,000.00 net of GST from \$920,000.00 net of GST to \$3,307,000.00 net of GST.
7. City Council grant Sole Source authority to extend the term and increase the amount for blanket contract 47011172 to Westmetro Equipment Sales Ltd. for maintenance, repairs and parts for heavy equipment for the period of January 1, 2009 to December 31, 2009 with the option to renew for three (3) additional one-year periods to the General Manager of Solid Waste Management Services Division. The total increase requested for January 1, 2009 to December 31, 2009 is \$94,115.00 net of GST. The total increases requested for the renewal options are \$115,000.00 net of GST for the period of January 1, 2010 to December 31, 2010, \$125,400.00 net of GST for the period of January 1, 2011 to December 31, 2011 and \$140,160.00 net of GST for the period of January 1, 2012 to December 31, 2012. Should the options to renew be exercised, the General Manager of Solid Waste Management Services Division will instruct the Director of Purchasing and Materials Management Division to process the contract renewals under the same terms and conditions. The total potential cost for the blanket contract for Westmetro Equipment will be increased by \$417,159.80 net of GST from \$250,000.00 net of GST to \$667,159.80 net of GST.
8. City Council grant authority to the General Manager of Solid Waste Management Services to redistribute funds as required, during the term of the contracts including option years, between the contracts with Ontrac Equipment Services

Inc, Toromont Cat Division, Walking Floor International Canada, Liebherr Canada Ltd, Strongco Equipment and Westmetro Equipment Sales Ltd. while not exceeding the combined contract totals, to meet operational needs. Purchase order amendments will be submitted as required to Purchasing and Materials Management for processing.

9. City Council grant Sole Source authority to extend and increase blanket contract 47011101 to Geoware Inc. for licensing, servicing and maintenance, for the period of January 1, 2010 to December 31, 2010. The total potential cost for the blanket contract for Geoware Inc. will be increased by \$140,000.00 net of GST from \$514,700.00 net of GST to \$654,700.00 net of GST.

Financial Impact

The total potential cost identified in this report is \$6,480,877.70 (includes the unused balances on existing contracts and option years plus recommended contract increases) including all applicable taxes and charges. The total potential cost to the City net of GST is \$6,194,113.20. Funds will be requested in the 2009 Solid Waste Management Services Operating and Capital Budget submissions, in cost center groups SW370 (Transfer), and CSW307 (Perpetual Care of Landfills 2009) in the amount of \$1,529,880.00 net of GST. Funds will be requested for the Geoware agreement extension in the 2010 Solid Waste Management Services Operating Budget submission in Cost Centre SW0007 (Operational Support-Weighscale Support Services), Cost Element 2650 in an amount not to exceed \$140,000.00 net of GST. Should the option years be exercised, then funds will be requested in the 2010-2012 Solid Waste Management Services Operating Budget submission, as per the details in the following table:

Account	Estimated Expenditures (January 1, 2009 to December 31, 2009)	Estimated Expenditures (January 1, 2010 to December 31, 2010)	Estimated Expenditures (January 1, 2011 to December 31, 2011)	Estimated Expenditures (January 1, 2012 to December 31, 2012)	Vendor Total (Net of GST)
SW370	\$1,229,880.00	\$1,649,666.40	\$1,497,549.20	\$1,377,017.60	\$5,754,113.20
SW007	\$ 0	\$ 140,000.00	\$ 0	\$ 0	\$140,000.00
Sub Total Operating	\$1,229,880.00	\$1,789,666.40	\$1,497,549.20	\$1,377,017.60	\$5,894,113.20
CSW307	\$ 300,000.00	\$ 0	\$ 0	\$ 0	\$ 300,000.00
Total (net of GST)	\$1,529,880.00	\$1,789,666.40	\$1,497,549.20	\$1,377,017.60	\$6,194,113.20

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

DECISION HISTORY

1. City Council at its meeting on September 28, 29 and 30 2005 approved the recommendations in the report dated August 30, 2005 submitted to the Works Committee from the General Manager, Solid Waste Management Services entitled “Request for Council Authority for the purchase of certain sole-sourced essential goods and services required by Solid Waste Management Services”. The approval of these recommendations authorized the General Manager, Solid Waste Management Services to enter into sole source agreements with the vendors in Table 1 (excluding Geoware Inc.) for a one year period commencing January 1, 2006 until December 31, 2006 with the option to renew for two (2) additional one (1) year periods.
<http://www.toronto.ca/legdocs/2005/agendas/council/cc050928/wks8rpt/cl014.pdf>
2. City Council at its meeting of May 17, 18 and 19, 2005 approved the recommendations in the report (April 18, 2005) from the Acting Commissioner, Works and Emergency Services entitled “Weighscale Software Upgrades and Maintenance Renewal for a Three (3) Year Term With Two (2) – One (1) Year Options – GEOWARE Inc.” The approval of these recommendations authorized the Acting Commissioner or his designate to enter into a sole source agreement with GEOWARE Inc. for the provision of GEOWARE weighscale software maintenance for a three (3) year period commencing January 1, 2005 until December 31, 2007 with the option to renew for two (2) additional one (1) year periods and to negotiate and approve any Terms and Conditions, to his satisfaction and in a form satisfactory to the City Solicitor. The following is the link to the May 17, 18 and 19, 2005 decision document:
<http://www.toronto.ca/legdocs/2005/agendas/council/cc050517/pof5rpt/cl023.pdf>

ISSUE BACKGROUND

Maintenance, Repairs and Parts for Heavy Equipment

SWMS requires maintenance, repairs and parts for its heavy equipment used at its various facilities and for its haulage fleet. Such maintenance and repairs are critical to ensuring waste and recyclables are transferred and/or processed in a safe and efficient manner while ensuring compliance with the Ministry of Environment Certificate of Approvals. As such, the purchase of these services is essential and unavoidable for the delivery of service by SWMS.

SWMS has historically purchased maintenance, repairs and parts for its heavy equipment, with Council authority, through sole source contracts. While SWMS initiates competitive calls for general work and generic parts, a number of vendors remain the only manufacturer-authorized dealers, locally based, who can supply repairs which require specialized equipment and knowledge, for proprietary equipment. These companies are the only local authorized dealers for the heavy equipment currently operated by Solid Waste Management Services.

Table 2 of this report shows the original amount the approved Contracts for, the estimated amounts that will be spent on contracts until December 31, 2008, the estimated expenditures from January 1, 2009 through December 31, 2012, the requested Contract change and the new total amount for each contract.

It is not possible to know which equipment manufacturer will be the successful bidder on new equipment purchases going forward. Therefore it is not possible to estimate accurately the funds required for contracts with authorized dealers of particular equipment. The estimated amounts that will be spent in 2008 and 2009 are based on the composition and age of the current fleet. Funds may be required to be redistributed from one contract to another if the fleet composition changes or if there is a need for unforeseen repairs.

Table 1

Total Amounts Net of GST Required for Each Contract

Vendor	Estimated Expenditures (January 1, 2009 to December 31, 2009)	Estimated Expenditures (January 1, 2010 to December 31, 2010)	Estimated Expenditures (January 1, 2011 to December 31, 2011)	Estimated Expenditures (January 1, 2012 to December 31, 2012)	Estimated Expenditures (January 1, 2009 to December 31, 2012)
Ontrac Equipment Services Inc. 47011147	\$391,750.00	\$387,000.00	\$346,000.00	\$48,500.00	\$1,173,250.00
Toromont – CAT Division 47011145	\$327,355.00	\$410,550.00	\$264,200.00	\$434,442.00	\$1,436,547.00
Walking Floor International Canada 47011146	\$110,160.00	\$114,566.40	\$119,149.20	\$123,915.60	\$467,791.20
Liebherr-Canada Ltd. 47011144	\$36,500.00	\$35,550.00	\$37,800.00	\$5,000.00	\$114,850.00
Strongco Equipment 47011181	\$570,000.00	\$587,000.00	\$605,000.00	\$625,000.00	\$2,387,000.00
Westmetro Equipment Sales Ltd. 47011172	\$94,115.00	\$115,000.00	\$125,400.00	\$140,160.00	\$474,675.00
Sub Total Heavy Equipment	\$1,529,880.00	\$1,649,666.40	\$1,497,549.20	1,377,017.60	\$6,054,113.20
Geoware Inc 47011101	\$0.00	\$140,000.00	\$0.00	\$0.00	\$140,000.00
Total (net of GST)	\$1,529,880.00	\$1,789,666.40	\$1,497,549.20	\$1,377,017.60	\$6,194,113.20

Table 2

Comparison of Existing Contracts to New Requirements, Net of GST

Vendor	Original Approved Contract Value	Estimated Expenditures to December 31, 2008	Estimated Contract balance at December 31, 2008	Estimated Expenditures (January 1, 2009 to December 31, 2012)	Requested Contract Change (Value remaining + estimated expenditures)	New Contract Value
Ontrac Equipment Services Inc. 47011147	\$1,817,000.00	\$528,332.86	\$1,288,667.14	\$1,173,250.00	\$0.00	\$1,817,000.00
Toromont – CAT Division 47011145	\$1,891,000.00	\$575,537.00	\$1,315,463.00	\$1,436,547.00	\$121,084.00	\$2,012,084.00
Walking Floor International Canada 47011146	\$1,010,000.00	\$105,979.16	\$904,020.84	\$467,791.20	\$0.00	\$1,010,000.00
Liebherr-Canada Ltd. 47011144	\$444,000.00	\$208,304.01	\$235,695.99	\$114,850.00	\$0.00	\$444,000.00
Strongco Equipment 47011181	\$808,000.00	\$920,000.00	-\$112,000.00	\$2,387,000.00	\$2,499,000.00	\$3,307,000.00
Westmetro Equipment Sales Ltd. 47011172	\$250,000.00	\$192,484.80	\$57,515.20	\$474,675.00	\$417,159.80	\$667,159.80
Total (Net of GST)	\$6,220,000.00	\$2,530,637.83	\$3,689,362.17	\$6,054,113.20	\$3,037,243.80	\$9,257,243.80

Geoware Inc.

In 1988, the former Metro Toronto, entered into a licensing agreement with GEOWARE Inc. (formerly PC Automation Inc.) to use GEOWARE weighscale software. In addition, Metro Toronto worked with GEOWARE Inc. to further develop and customize this weighscale software to address the extensive services provided by SWMS and the evolution of our business focus toward recycling.

The weighscale software package is specific to the business of SWMS. This system tracks vehicles and materials entering and exiting transfer facilities and facilitates invoicing of paid tonnage, annual budgeting, reporting of diversion rates required for Waste Diversion Ontario (WDO) funding, and assists in planning new programs and improving productivity in all of our operations.

The original Geoware Inc. contract was issued in the amount of \$514,700.00 with an expiry date of December 31, 2009. An additional \$140,000.00 is required to cover the contract costs for the period January 1, 2010 to December 31, 2010.

Due to the length of the sole source contract with this vendor for weighscale software, SWMS has since 2006 been actively investigating the market place to determine the availability of weighscale software that fully meets our varied needs and provides the taxpayers of Toronto with the best value for their tax dollars.

SWMS requested that PMMD issue a Request for Information for potential alternatives. The information gained through this RFI process is being used as a basis for generating requirements for a Request for Proposal. A formal RFP for the provision of weighscale software has been drafted and is currently being reviewed by all appropriate City Divisions and is anticipated to be issued by fall 2008. Once a vendor has been selected from the RFP process, implementation will take approximately one (1) year.

COMMENTS

Maintenance, Repairs and Parts for Heavy Equipment

SWMS uses equipment that has factory and dealer installed solid waste handling packages. This equipment requires proprietary parts, maintenance and repairs by authorized dealers listed in Table 2. Extending these contracts will ensure that maintenance and in warranty repairs are conducted by authorized representatives of the equipment manufacturers.

SWMS Staff have obtained price lists where available, from each of the heavy equipment vendors identified in this report. Where price lists were not available SWMS staff have obtained the hourly rate charged to other buyers of each vendor's service and found that the City is paying the same or lower rates.

Geoware Inc.

Extending the current sole source contract for a further 12 months will ensure continued effective operation of the seven City transfer stations while allowing the RFP process to be executed fully and a smooth transition to the new contract, whichever vendor succeeds in providing the best solution for the City.

The Fair Wage Office has reported that the firms identified in this report have indicated that it have reviewed and understand the Fair Wage Policy and Labour Trades requirements and have agreed to comply fully.

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