

Procurement of Used Vehicles and Equipment

Date:	March 18, 2009
To:	Government Management Committee
From:	Chief Corporate Officer
Wards:	All
Reference Number:	P:\2009\Internal Services\Fleet\Gm09001Fleet – (AFS 9674)

SUMMARY

Fleet Services is seeking Council authority to purchase used vehicles and equipment through auction, liquidation sales or trade publications advertisements as a cost savings measure.

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. Director of Fleet Services be authorized to purchase used vehicles and equipment through auction, liquidation sales or trade publications advertisements, not to exceed the approved Fleet Services' capital budget.
2. Director of Fleet Services report annually on the purchase of used vehicles and equipment as part of the year-end capital variance reporting.

Financial Impact

Funding for the purchase of any used vehicles and equipment acquired through auction, liquidation sales or trade publication advertisements will be provided from the annual Fleet Services' approved capital budget, with funding from the Vehicle and Equipment Replacement Reserves.

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

DECISION HISTORY

City Council on April 12, 13 and 14, 2005, approved the clause with amendment from the Administration Committee Report 3 (10) regarding the Procurement of Used Printing Equipment through Auction, Liquidation Sales or Trade Publication Ad, “That the City Manager be requested to report to the Administration Committee on the procurement of equipment through auction, liquidation sales or trade publications in other City divisions as a way of saving money.”

<http://www.toronto.ca/legdocs/2005/agendas/council/cc050412/cofa.pdf>

The Auditor General in his report on Fleet Operations Review – Phase II on July 12, 2005 Recommendation 3 stated that “ The Deputy City Manager and Chief Financial Officer explore the possibility of purchasing year-old off-lease or nearly-new vehicles”.

<http://www.toronto.ca/legdocs/2005/agendas/committees/au/au050712/it003.pdf>

ISSUE BACKGROUND

Purchasing used vehicles and equipment for the corporate fleet has the potential to achieve cost savings for the City. Fleet Services has explored possibilities to do so in the past for vehicles coming off city leases but found the buyout price to be excessive. However, staff believe there are possibilities for “opportunity buying” that will require Council’s authority.

COMMENTS

Opportunities to purchase used vehicles including off-lease vehicles and equipment in good condition are available to the City. Cost savings could be realized if staff had the authority to selectively purchase at auction, liquidation sales or via trade publication advertisements. Timing is of the utmost importance in the resale market, as potential buyers are looking for vehicles/equipment being sold off due to companies going out of business, amalgamating, demonstration models, etc. In such a case, staff must be able to react quickly and seize the chance for opportunity buying.

Before bidding at an auction or making an offer at a liquidation sale or from a trade publication advertisement staff will consider expected life, potential repair costs, taxes, transportation costs, etc. The total cost of the used vehicle and equipment would be compared against the estimated price of comparable new vehicles or equipment. The industry practice is to place a 10 percent deposit at the time of purchase with the balance due within 48 hours after the sale.

Prior to finalizing the sale, a full evaluation of the vehicle and equipment will be conducted. The vehicle evaluation would include inspection of body condition, all mechanical components and a review of maintenance history. Staff will perform a full inspection with City licensed mechanics in order to confirm that the vehicle and equipment will meet the City’s pre-determined specifications. If the evaluation is not favourable, the bid can be retracted and deposit returned. Once the sale is finalized, Fleet

Services would work with the Purchasing and Materials Management Division (PMMD) to issue a purchase order.

On a go-forward basis, Fleet Services will continue to purchase new vehicles and equipment through PMMD using a competitive bid process. Funding will be provided from the capital fleet budget drawn from the respective division's vehicle and equipment replacement reserve. The option to selectively purchase used vehicles and equipment through auction, liquidation sales or trade publications advertisements would be in addition to that process and could result in cost savings for the City. The Director of Fleet Services will report annually on purchasing used vehicles and equipment as part of the year-end capital variance reporting.

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SIGNATURE

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