



STAFF REPORT ACTION REQUIRED

Sole Source Purchase of Essential Goods & Services for Toronto Water

Date:	January 19, 2010
To:	Public Works and Infrastructure Committee
From:	General Manager, Toronto Water Director, Purchasing and Materials Management Division
Wards:	All
Reference Number:	P:\2010\Cluster B\TW\pw10002

SUMMARY

The purpose of this report is to request City Council authority to award sole source contracts for the vendors identified in Attachment A of this report. These contracts are for maintenance, repairs and specialized parts for the period of April 1, 2010 to March 31, 2011 and include five (5) additional one (1) year term options. The vendors listed in Attachment A are the only manufacturers or are authorized dealers who can provide the services, specialized parts, ancillary equipment and knowledge for the associated proprietary equipment unique to Toronto Water. The existing contracts with these vendors are due to expire in March 2010.

RECOMMENDATIONS

The General Manager, Toronto Water and the Director, Purchasing and Materials Management recommend that City Council grant authority to:

1. Award sole source contracts to the vendors listed in Attachment A, to the annual maximum amounts identified (excluding all taxes and charges), for the provision of goods and services as required by Toronto Water for a twelve-month period commencing April 1, 2010 to March 31, 2011, including the option to extend for five (5) additional one (1) year periods at the sole discretion of the City and subject to budget approval and provided that the vendors continue to be the manufacturers or are exclusive distributors of the goods and services;

2. The General Manager, Toronto Water to instruct the Director, Purchasing and Materials Management to process the necessary contract renewals under the same terms and conditions, should the option(s) be exercised.

FINANCIAL IMPACT

The total contract award identified in this report for the period from April 1, 2010 to March 31, 2011, is \$988,559.03 including all applicable taxes and charges. The cost to the City net of GST and HST Recoveries is \$886,378.77. Funding for the contract award is included in the 2010 Toronto Water and Operating Budgets and in the 2011-2019 Capital Plan in the following accounts:

Account	Account Name	2010	2011	TOTAL
CWW040	Ashbridges Bay Treatment Plant	\$189,700.00	\$63,600.00	\$253,300.00
PW100	Water Treatment & Supply	\$45,528.00	\$15,264.00	\$60,792.00
WW100	Wastewater Treatment	\$428,593.76	\$143,693.01	\$572,286.77
	Total	\$663,821.76	\$222,557.01	\$886,378.77

In the event that the City exercises the option years, Toronto Water will include the annual amendment amounts, as outlined in Attachment A, in the Toronto Water Operating and Capital budget submissions for each respective year as per the Toronto Municipal Code Chapter 195, Purchasing, Section 195-1 B(2)

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

BACKGROUND INFORMATION

Toronto Water requires repair service and parts for process equipment used at its various treatment facilities to ensure that water and wastewater are processed in a safe and efficient manner while ensuring compliance with each facility's Certificates of Approval issued by the Ministry of Environment. The purchase of these goods and services are essential for the delivery of service by Toronto Water.

In the wastewater treatment facilities, dewatering of biosolids is a critical process to ensure operational performance and regulatory compliance. Centrifuges are used for this purpose and ensuring their availability is essential for proper biosolids management. Ineffective or inefficient dewatering adversely affects the wastewater treatment process, and generates excessive odours that may be offensive to the surrounding community. In

addition, a backup of solids in the plant can jeopardize the quality of the final effluent and could result in a violation of the facility's Certificate of Approval.

Two of the City's water treatment plants also use centrifuges to process water treatment residuals. Reliable operation of this equipment is essential in order to meet similar legislative requirements and improve near shore water quality.

At the Ashbridges Bay Treatment Plant, Schwing pumps are used to convey dewatered biosolids. Pro Aqua, Inc. is the sole authorized dealer for Schwing parts, service and repairs. Alfa Laval Sharples centrifuges are used to dewater biosolids. Alfa Laval Canada is the sole authorized manufacturer for Alfa Laval Sharples parts, service and repairs. These centrifuges are also installed at the Humber Treatment Plant (thickening), Highland Creek Treatment Plant (dewatering) and at both the R.C. Harris and R.L. Clark Water Treatment Plants for residue management. At the Highland Creek Treatment Plant, Westfalia centrifuges and a Humboldt centrifuge are also used for dewatering. GEA Westfalia Separator Canada, Inc. is the sole authorized manufacturer for Westfalia centrifuge parts, service and repairs.

COMMENTS

Toronto Water undertakes competitive bids for the vast majority of its purchases. The above vendors remain the only manufacturer-authorized dealers who can provide knowledge and specialized parts and services for the proprietary dewatering and biosolids pumping equipment unique to Toronto Water. Staff have been unable to identify any other vendors for the supply of the parts and services required. The current contracts with the vendors listed in Attachment A, along with another vendor, Andritz Separation, were previously approved by Works Committee at its meeting of March 7, 2006 for the period April 1, 2006 to March 31, 2007, with the option to extend for three additional one year periods. The total value of the contracts for the first term was \$1,174,200 (including all taxes and charges). The three (3) renewal options were exercised and the contracts had a total value of \$1,209,000, \$1,246,000 and \$1,284,000 in the subsequent years (including all taxes and charges).

Links to the Works Committee and City Council decision documents can be found at:

<http://www.toronto.ca/legdocs/2006/agendas/committees/wks/wks060307/wksdd.pdf>

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060425/cofa.pdf>

The vendors listed in Attachment A will continue to be the only manufacturers or are authorized dealers of the equipment and each has confirmed that the City is receiving the lowest possible prices when compared to other users of their goods and services. It is recommended that the City enter into a twelve month sole-source contract with each vendor identified in Attachment A for the period April 1, 2010 to March 31, 2011 for the

maximum expenditure identified. Prior to the end of each contract period, Toronto Water, in conjunction with the Purchasing & Materials Management Division, will review each vendor to ensure that they continue to be the only authorized source for service and parts. If this is the case, it is recommended that staff be authorized to execute the renewal options and amend these sole source contracts for each successive year to the maximum identified in Attachment A. In the event that other suitably qualified vendors (approved by the manufacturers) are identified, staff will follow all appropriate purchasing by-laws and procedures to ensure that a competitive process is initiated.

As required under the Toronto Municipal Code Chapter 195, Purchasing, Section 195-9B & 9C, Toronto Water is requesting sole source contracts to vendors listed in Attachment A for the maximum expenditure identified.

The current contracts established in April 2006 expire on March 31, 2010 and the spending for each contract (to December 31, 2009) is shown in the table below.

Vendor	Current Contract Number	Current Contract Spending (excluding taxes)	
		April 1, 2006 to December 31, 2009	Annual Average (Approximate)
Pro Aqua	47011731	\$760,779.31	\$190,195
GEA Westfalia	47011910	\$517,163.94	\$129,291
Alfa Laval	47011724	\$1,740,964.40	\$435,241

The above noted annual averages were used to estimate the future spending requirements. Also, since the R.C. Harris and R.L. Clark Water Treatment Plants are now operating Alfa Laval Sharples centrifuges, both of these facilities have requested \$30,000 (excluding taxes) per year to cover their expected maintenance costs. The Total requirements for each vendor are included in Attachment A.

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

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ATTACHMENTS

- A. New Sole Source Contract Values

ATTACHMENT A

New Sole Source Contract Values (excluding all taxes and charges)

Vendor	Goods/Service Provided	Base Contract Request (Apr 1, 2010 – Mar 31, 2011)	Option Years - Annual Amendment Value *					Total (including all Option Years)	Reason for Sole Source
			Year 1: 2011- 2012	Year 2: 2012 - 2013	Year 3: 2013 - 2014	Year 4: 2014 - 2015	Year 5: 2015 - 2016		
Pro Aqua, Inc.	Parts, service and maintenance for Schwing America pumps.	\$205,410	\$211,573	\$217,920	\$224,457	\$231,191	\$238,127	\$1,328,678	Only authorized dealer for Schwing pump parts, service & repairs.
GEA Westfalia Separator Canada, Inc.	Parts, service and maintenance for Westfalia centrifuges.	\$139,634	\$143,823	\$148,138	\$152,582	\$157,160	\$161,874	\$903,212	Manufacturer of Westfalia centrifuge parts, service & repairs.
Alfa Laval Inc.	Parts, service and maintenance for Alfa Laval Sharples centrifuges.	\$529,786	\$545,680	\$562,050	\$578,912	\$596,279	\$614,167	\$3,426,875	Manufacturer of Alfa Laval Sharples centrifuge parts, service & repairs.
Total Value:		\$874,831	\$901,076	\$928,108	\$955,951	\$984,630	\$1,014,168	\$5,658,764	

* Annual amendment values are estimated based on historical needs and include an inflationary increase of 3% each year.