



STAFF REPORT ACTION REQUIRED

Contract Extension: UAP Inc. Auto Parts - Contract No. 47012771

Date:	October 25, 2011
To:	Government Management Committee
From:	Director, Fleet Services Director, Purchasing and Materials Management
Wards:	All
Reference Number:	P:\2011\Internal Services\fleet\Gm10003Fleet-(AFS14625)

SUMMARY

The report seeks City Council approval to authorize the Director of Fleet Services and the Director of Purchasing and Materials Management (PMMD) to execute a six-month extension to June 30, 2012 with no increase to the existing contract value, with UAP Inc. for the provision of various automotive parts for vehicles, heavy trucks, equipment parts and components on a consignment basis to Fleet Services.

RECOMMENDATION

The Director Fleet Services and the Director of Purchasing and Materials Management recommend that:

1. City Council authorize the Director of Fleet Services and the Director of Purchasing and Materials Management to execute a six-month contract extension to June 30, 2012 with UAP Inc., under the existing prices, terms and conditions with no dollar value increase to the existing contract for the provision of various automotive parts for vehicles, heavy trucks, equipment parts and components on a consignment basis to Fleet Services.

FINANCIAL IMPACT

The current Contract (No. 47012771) with UAP Inc. for the provision of various automotive parts for vehicles, heavy trucks, equipment parts and components on a consignment basis to Fleet Services, for the period January 1, 2007 to December 31, 2011, has a current contract value of \$16,705,263.15 net of all taxes. It is estimated that this contract will have a remaining value of approximately \$3.0 million at the end of the contract term.

Should the existing Contract be extended for six months to June 30, 2012 with the remaining contract value at December 31, 2011, there will be no additional costs associated with this request. However, cost savings for parts and vehicle downtime are anticipated. Required funding for the remaining contract value is included in Fleet Services' 2012 Base Operating Budget submission in cost centre group FL100 "Fleet Maintenance" and cost element 2130 "Mobile Equipment Parts".

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

DECISION HISTORY

At its meeting held on May 18, 19 and 20, 2004, City Council adopted the recommendations of the Administration Committee, authorizing the PMMD to issue a Request for Proposal (RFP) for the supply of vehicle and equipment parts on a consignment basis. Following is the link to the Council Decision document:

<http://www.toronto.ca/legdocs/2004/agendas/council/cc040518/adm3rpt/cl016.pdf>

At its meeting on December 22, 2006, the Bid Committee provided the approval required for the issuance of a contract as a result of the RFP No. 6101-06-3296 for the provision of vehicle and equipment parts on a consignment basis. A contract (No. 47012771) was awarded to UAP Inc. for the period January 1, 2007 to December 31, 2009 with the option to renew the contract for two (2) additional separate one (1) year periods. The contract was renewed to December 31, 2011, with a current contract value, for the five-year period, of \$16,705,263.15 net of all taxes.

ISSUE BACKGROUND

At its meeting held on February 23, 2011, City Council approved the Fleet Services 2011 Operating Budget, which includes a proposal to outsource vehicle parts warehouse management as part of cost reduction options.

A RFP No. 6101-11-3014 was issued on September, 08, 2011 in an effort to obtain the services of a qualified proponent, experienced in the implementation of parts distribution and inventory management with the intent to allow Fleet Services to cease carrying out the activities to acquire, move and manage the parts needed to maintain the fleet. This will allow Fleet Services to focus

on the provision of cost effective vehicles and maintenance to the various City Divisions that operate vehicles and equipment. The closing date for submissions was October 03, 2011 at noon local time.

The RFP was advertised on the City of Toronto's Internet website. Five (5) firms downloaded the document from the PMMD website. PMMD, at its Public Opening held on October 03, 2011, opened the only bid received from UAP Inc.

COMMENTS

The RFP No. 6101-11-3014 for the provision of On Site Fleet Parts and Inventory Management Program for Fleet Services, for a five-year period commencing January 1, 2012 to December 31, 2016, has been subsequently cancelled. The RFP attracted only one proposal, which was greater than the approved funding available.

Fleet Services staff, began the process of exploring the potential of issuing a RFP for an On Site Fleet Parts and Inventory Management Program in November of 2010. The intent was to issue a RFP in preparation for the expiry of the current contract with the Parts Consignment supplier on December 31, 2011.

A meeting was held with PMMD and Fleet Services staff on January 11, 2011. At this meeting, discussions took place involving the process for this procurement. It was decided that given the size and financial impact of the RFP, it would be prudent to retain a fairness consultant to oversee the process, including the development of the RFP documentation and provision of oversight and advice. As a result, a Request for Quotation (RFQ) to ascertain a Fairness Consultant was issued on February 10, 2011, subsequently a contract was awarded to P-1 Consulting Limited. This ensured that the entire process was carried out in a fair, open and transparent manner. The Fairness Consultant has provided a report to that effect.

It was also decided to utilize a "two-envelope" model of RFP. This would require each proponent to submit two envelopes. The first envelope was to contain the Technical Proposal and the second envelope to contain the Cost of Services. The technical proposal is evaluated first to identify those submissions that meet a predetermined minimum threshold score, as identified in the RFP, with regard to the proponent's ability to fulfill the technical requirements of the RFP. For each proponent which met the minimum technical threshold score, its separate sealed Cost-of-Services proposal ("second envelope") would be opened and evaluated to determine the lowest cost provider.

Before issuing the call document, the RFP was also reviewed by Western Management Consultants who were at the time assigned to perform the service efficiency review of Toronto's fleet operations. They provided twenty-six (26) recommendations that were included in the RFP.

Results of the RFP:

Only One (1) submission (UAP Inc.) was received by PMMD.

In compliance with the RFP terms of reference, the submissions were to include a detailed technical proposal and a separate sealed envelope with a cost proposal. The first stage of the evaluation process was a pass/fail review of submissions with regard to the mandatory technical submission requirements.

A review by PMMD of the submissions determined that the technical proposal from UAP Inc. did meet the mandatory requirements as specified in the RFP and was distributed to members of the evaluation panel for review and scoring.

The selection process stipulated that the technical proposal had to meet a minimum threshold of 70% in order for the cost of services envelope to be opened and evaluated. The RFP further stipulated that upon opening the cost of services envelope, the lowest cost proposal would be recommended for award.

The technical evaluation criteria consisted of the following main categories:

- Functional Requirements
- Experience Requirements
- System Requirements

An evaluation and selection committee was established with three (3) members (one from Fleet Services, one from Fire Services Fleet, and one from Emergency Medical Services Fleet). The technical proposal from UAP Inc. was reviewed independently and then jointly evaluated (through consensus) by all members of the selection committee in accordance with the evaluation criteria as specified in the RFP.

As a result, it was determined that the proposal met the minimum technical threshold as identified in the RFP. There was also a provision in the RFP for interviews with prospective proponents, but it was determined that no interviews would be necessary in view of the completeness and clarity of the technical proposal received.

The cost-of-services sealed envelope was then opened by PMMD with a Fleet Services representative and the Fairness consultant in attendance. It was determined that the proposal from UAP Inc. could be considered for award.

During the financial analysis process, it was determined that the service level of the submitted proposal was greater than the Fleet Services' operational requirements, and thus the total value was greater than the approved funding, resulting in the RFP being cancelled.

Accordingly, we request authority to extend the existing contract with UAP Inc. to June 30, 2012, to allow Fleet Services to continue to obtain parts for the City's vehicles while it re-evaluates the scope of services required. It is intended that a procurement document will be re-issued in the next few weeks.

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SIGNATURE

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