



## STAFF REPORT ACTION REQUIRED

### Amendment of Contract No. 47016072, Powertrade Electric Ltd. for the supply and delivery of Electrical Supplies and Components

<b>Date:</b>	March 20, 2013
<b>To:</b>	Public Works and Infrastructure Committee
<b>From:</b>	General Manager, Toronto Water Director, Purchasing and Materials Management Division
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2013\Cluster B\TW\pw13007

#### SUMMARY

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The purpose of this report is to request authority to amend Contract 47016072 issued to Powertrade Electric Ltd., for the supply and delivery of Electrical Supplies and Components to Toronto Water. The report also summarizes improvements made to purchasing procedures by increasing the use of competitively tendered contracts thereby reducing the reliance on the use of Divisional Purchase Orders (DPOs).

#### RECOMMENDATIONS

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The General Manager of Toronto Water and the Director of Purchasing and Materials Management Division recommend that the Public Works and Infrastructure Committee, in accordance with Section 71-11.1.C of the City of Toronto Municipal Code Chapter 71 (Financial Control), grant authority to:

1. Amend Contract 47016072 with Powertrade Electric Ltd. for the supply and delivery of Electrical Supplies and Components to Toronto Water by an additional amount of \$426,825.63 net of all taxes and charges (\$434,337.76 net of HST recoveries), revising the current value from \$310,900.70 to \$737,726.33 net of all taxes and charges (\$750,710.31 net of HST recoveries).

## **Financial Impact**

The Purchase Order Amendment for an additional \$426,825.63 net of all taxes and charges (\$434,337.76 net of HST recoveries) will increase the value of Contract 47016072 from \$310,900.70 to \$737,726.33 net of all taxes and charges (\$750,710.31 net of HST recoveries). Funding of \$434,337.76 for this increase was provided from the 2012 Operating and Capital Budgets for Toronto Water for work undertaken and paid in 2012. Charges were applied to various Cost Centres and included equipment and supplies for Wastewater Treatment (\$296,000) and Water Treatment and Supply (\$96,000). Capital expenditures for Water and Wastewater comprised \$37,000 million of the total increased cost.

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

## **DECISION HISTORY**

On August 3, 2011, by authority of Bid Committee, Contract 47016072 was awarded to Powertrade Electric Ltd. for the supply and delivery of Electrical Supplies and Components for Toronto Water as a result of a Request for Quotation (RFQ) 1202-11-0096 from September 1, 2011 to August 31, 2012, with the option to renew the contract for four (4) additional and separate one year (1) periods for a total potential award value of \$7,508,895.10 including HST and all charges (\$6,645,039.90 net of all taxes and charges). The total potential cost to the City including all option years is \$6,761,992.60 net of HST recoveries.

The following is the link to the Bid Committee approval:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.BD35.1>

## **ISSUE BACKGROUND**

Request for Quotation No. 1202-11-0096 was issued on September 1, 2011, for the non-exclusive supply and delivery of various Industrial Equipment and Supplies to the City of Toronto including but not limited to the following Divisions:

- Toronto Water
- Facilities and Real Estate
- Solid Waste Management
- Parks, Forestry and Recreation
- Long Term Care Homes & Services
- Toronto Fire Services
- Shelter, Support and Housing Administration

Estimates provided in the RFQ for were based on historical data provided by the various Divisions and for Toronto Water, specifically, from the previous contracts 47012932 and 47012141.

In 2010, staff from the Policy, Planning, Finance and Administration (PPFA) Division, were deployed to various locations in Toronto Water to better support contract tendering and purchasing needs. The emphasis of the new strategy was to reduce the number of Divisional Purchase Orders (DPOs) used by Toronto Water staff and shift the volume of purchasing towards competitively tendered contracts. This strategy has significantly reduced the number of DPOs issued by Toronto Water but has resulted in increased spending on the contract with Powertrade Electrical Ltd. On February 8, 2012, Contract 47016072 was amended by \$125,000.00 net of taxes (\$127,200.00 net HST recoveries) in accordance with the Financial Control By-law.

This report request another Purchase Order Amendment for an additional \$426,825.63 net of all taxes (\$434,337.76 net of HST recoveries) increasing the value of the contract from \$310,900.70 to \$737,726.33 net of all taxes (\$750,710.31 net of HST recoveries).

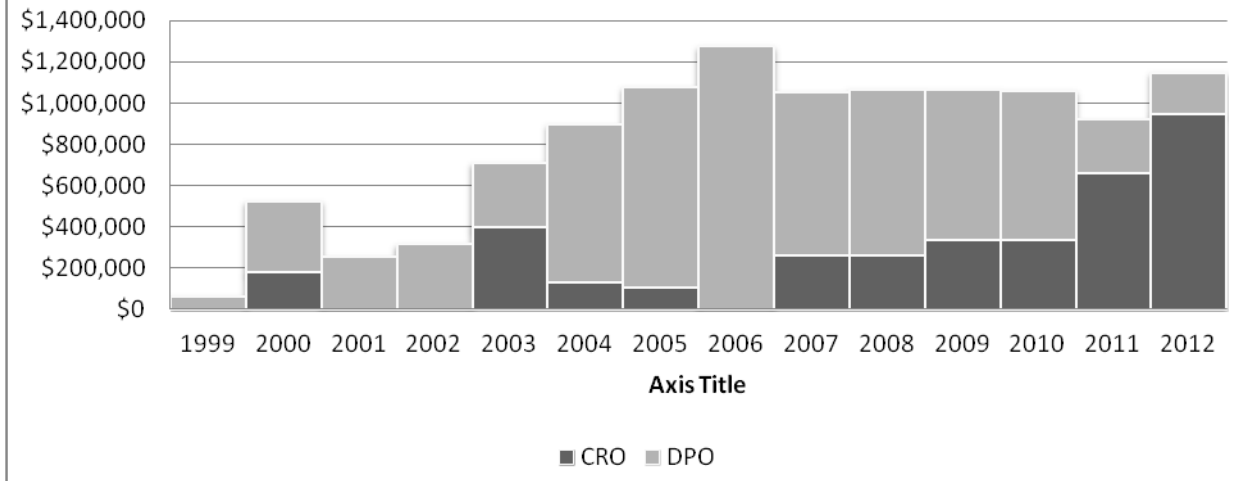
The total Purchase Order Amendment amount is needed to correct the overspent contract. No additional funds are required for contract 47016072 as it expired on August 31, 2012. There were four (4) option years available for this contract, however, due to the cumulative amendment of all participating divisions exceeding \$500,000, the option years were not exercised.

A new Request for Quotation (RFQ) was tendered in late 2012. There are now three contracts in place that are assigned across the City by geography as follows: Westburne Nedco (\$248,000) servicing Etobicoke/York and North York Districts; Powertrade Electrical (\$313,000) servicing Toronto/East York District; and Robertson Electric (\$310,000) servicing Scarborough District.

## **COMMENTS**

Since the deployment of the PPFA staff to Toronto Water locations in mid-2010, there has been a significant shift towards purchasing at competitively tendered contract prices versus buying through the Divisional Purchase Order (DPO) process. Staff are now coordinating their purchase needs and using existing contracts first. This has resulted in a decrease in individual DPOs and an increase in the usage of contracts with an overall decrease in electrical supply spending as shown on Table 1 of this report.

**Table 1 - Toronto Water Purchases of Electrical Supplies by Document Type  
1999 to 2012**



Note: CRO = Contract Release Order      DPO = Divisional Purchase Order

As Toronto Water staff in various locations became more aware of the existence of this contract and the benefits of its use, they have diverted their purchases of Electrical Supplies through DPOs with vendors such as Torbram Electric Supply, Rolan Industries, Paul Wolf Electric Wholesale, Ainsworth, and Ackland Grainger Inc. to purchasing Electrical Supplies through the existing contract with Powertrade Electric Ltd. At the time Contract 47016072 was set up in early 2011, it was difficult to predict the actual quantities of materials that were to be purchased using this new contract and the actual amount has exceeded the initial estimate.

Therefore, an amendment is being requested in the amount of \$426,825.63 net of all taxes and charges which will increase the value of Contract 47016072 from \$310,900.70 to \$737,726.33 net of all taxes and charges, in order to reconcile the City's Financial Information System (SAP) for the actual spending.

## **CONTACT**

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## **SIGNATURE**

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Michael Pacholok  
Director, Purchasing and Materials Management

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Lou Di Gironimo  
General Manager, Toronto Water