

**Contract Award - Request for Proposal (RFP) 6101-11-3241
for the Provision of On Site Fleet Parts and Inventory
Management Program**

Date:	February 7, 2012
To:	Government Management Committee
From:	Director, Fleet Services Acting Director, Purchasing and Materials Management
Wards:	All
Reference Number:	P:\2012\Internal Services\fleet\\Gm12002Fleet-(AFS14841)

SUMMARY

The purpose of this report is to provide information on the results of a Request for Proposal (RFP) 6101-11-3241 for the provision of on-site fleet parts and inventory management program for Fleet Services and to request authority to enter into an agreement with the recommended proponent, UAP Inc. for a five (5) year period in the amount of \$24,624,756.82 net of all applicable taxes.

RECOMMENDATION

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

1. Government Management Committee grant authority for the City to enter into an agreement with UAP Inc., for the provision of on-site fleet parts and inventory management program, for a period of five (5) years commencing the effective date of the agreement as per the terms and conditions set out in the (RFP) 6101-11-3241 for a total contract value of \$24,624,756.82 net of all applicable taxes.

FINANCIAL IMPACT

The total contract award for a five-year term is \$24,624,756.82 net of all taxes and \$27,825,975.21 inclusive of all taxes. The total cost to the City is \$25,058,152.54 net of HST recoveries.

Assuming that the agreement with UAP Inc. takes effect on July 1, 2012, the required funding of \$2,491,909.66 in 2012 is included in the Fleet Services' 2012 Approved Operating Budget. The funding requirements of \$4,990,634.67 in 2013; \$5,004,401.27 in 2014; \$5,018,442.62 in 2015; \$5,032,765.34 in 2016; and \$2,519,998.98 in 2017, net of HST recoveries will be included in the respective years' operating budget submissions. Funding details are provided below.

Estimated Cost to the City – Net of HST recoveries

Account Number	Jul. 1 to Dec.31, 2012	Jan. 1 to Dec.31, 2013	Jan. 1 to Dec.31, 2014	Jan. 1 to Dec.31, 2015	Jan. 1 to Dec.31, 2016	Jan. 1 to Jun.30, 2017	Total Contract Award
Cost centre group FL100 "Fleet Maintenance', cost element group 2000 "materials and supplies"	2,145,459.60	4,290,919.17	4,290,919.17	4,290,919.17	4,290,919.17	2,145,459.60	21,454,595.88
Cost centre group FL100 "Fleet Maintenance', cost element 4424 "Contracted Services - General"	346,450.06	699,715.50	713,482.10	727,523.45	741,846.17	374,539.38	3,603,556.66
Total	2,491,909.66	4,990,634.67	5,004,401.27	5,018,442.62	5,032,765.34	2,519,998.98	25,058,152.54

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 Purchasing and Materials Management 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>

Contract No. 47012771 – UAP Inc. (NAPA Auto Parts)

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 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, bringing the total contract value for the five-year period to \$16,705,263.15 net of all taxes.

At its meetings held on November 29, 30 and December 1, 2011, City Council adopted the recommendations of the Government Management Committee, authorizing the Director of Fleet Services and the Director of Purchasing and Materials Management to executive a six-month contract extension to June 30, 2012, with UAP Inc., under the existing contract prices, terms and conditions with no dollar value increase to the existing Contract No. 47012771. Following is the link to the Council Decision document:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.GM9.14>

ISSUE BACKGROUND

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

Currently, UAP Inc. provides vehicle and equipment parts on consignment to Fleet Services main facility located at 843 Eastern Avenue and satellite locations. The parts inventory is managed by Fleet Services' staff, comprised of ten (10) Automotive Equipment Inventory Clerks and two (2) Truck Drivers.

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) was issued on February 10, 2011, and a contract awarded to P-1 Consulting Limited. This ensured that the entire process for the On Site Fleet Parts and Inventory Management Program was carried out in a fair and transparent manner.

Purchasing and Materials Management (PMMD) issued a Request for Proposal (RFP) 6101-11-3241 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 vehicle options and maintenance services to the various City Divisions that operate vehicles and equipment.

COMMENTS

During the preparation of the call document the call 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.

A RFP 6101-11-3014 for On Site Fleet Parts and Inventory Management was issued on September 08, 2011 and closed October 03, 2011. The RFP was advertised on the City of Toronto's Internet website and five (5) firms downloaded the document from the PMMD website. PMMD, at its Public Opening held on October 3, 2011, opened the only bid received from UAP Inc.

During the evaluation of the financial costing, 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. A subsequent RFP was then prepared, clearly defining the level of service required.

RFP Process and Model:

The Request for Proposal (RFP) 6101-11-3241 for On Site Fleet Parts and Inventory Management was re issued on November 24, 2011, and was available for download on the City's internet website. The closing date for submissions was January 10, 2012 at noon local time. A total of four (4) addenda were issued in response to questions sent to PMMD prior to the closing date.

Forty (40) firms on the City's bidders' list were invited to submit bids. The RFP was advertised on the City of Toronto's Internet website. Eight (8) firms either downloaded the document from the PMMD website or purchased a hard copy of the RFP document.

The RFP was structured as a "two-envelope" model. This would require each proponent to make the first part of its proposal without dollar figures which would be evaluated first to determine whether it had met a minimum technical threshold score with regard to its ability to fulfil the requirements as specified in the RFP (envelope 1). For each proponent which met the minimum technical threshold score, its separate sealed cost-of-services proposal (envelope 2) would be opened and evaluated to determine the lowest cost provider. This model was followed for both RFP's.

Results of the RFP:

A total of two (2) submissions (UAP Inc. and East Court Ford Lincoln Sales) were received by PMMD.

In compliance with the RFP terms of reference, the submissions were to include a detailed technical proposal in envelope 1 and a separate sealed envelope with a cost-of- services in envelope 2. 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, on the submission from East Court Ford Lincoln Sales, determined that the Cost of Service portion was not completed; and therefore, the East Court Ford Lincoln Sales Proposal was declared non-compliant and was not considered. The Fairness Monitor was consulted and concurred with the non-compliance.

PMMD reviewed the submission from UAP Inc. and determined that it was compliant and released the technical Proposal Envelope only to Fleet Services for evaluation. Upon review, it was 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 some mandatory 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 were made up of the following main categories:

- Functional Requirements
- Experience Requirements
- System Requirements

The selection committee consisted of three (3) members, (one from Fleet, EMS, and Fire). All members of the selection committee submitted a Non-Disclosure and Declaration of Conflict of Interest Agreement. 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 submitted by UAP Inc. met the mandatory requirements and minimum technical threshold.

UAP Inc's cost-of-services 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. The Fairness Consultant has provided a report to that effect (Attachment 1).

The Fair Wage Office has reported that the recommended firm has indicated that it reviewed and understands the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

Proponent's scores, financial comparison and staff analysis of the evaluation results can be provided to Councillors in an in-camera presentation if so requested by Committee members.

Anticipated Savings:

The issuance of this RFP and selection of the successful proponent, UAP Inc. will result in a significant savings for Fleet Services. UAP Inc. will provide a reduction of approximately \$2.411 million or 10% of the total parts management and vehicle part costs over a 5-year contract period.

Estimated Savings over 5 Years

Fleet Service Division	Estimated Savings
Parts management administration costs	\$1,928,000
Parts Costs	\$ 483,000
Total	\$2,411,000

As a result, staff are recommending to enter into an agreement with UAP Inc. for a five (5) year period. The impact will provide significant savings for Fleet Services and the City Divisions it services.

Further contracts as a result of this RFP may also be considered by Fire Services, Emergency Medical Services, and other agencies, boards and commissions in order to meet the requirements for parts by their respective fleet operations.

CONTACT

Ross Petrini
Manager, Fleet Maintenance
Phone: 416-392-8215
Email: rpetrini@toronto.ca

Elena Caruso
Manager, Goods & Services
Phone: 416-392-7316
Email: ecaruso@toronto.ca

SIGNATURE

Gerry Pietschmann, P. Eng
Director, Fleet Services

Michael Pacholok
Acting Director, Purchasing and Materials
Management

ATTACHMENT

Attachment 1 – Fairness Consultant Report