



STAFF REPORT ACTION REQUIRED

Non-competitive Contracts with various Contractors for Proprietary Parts and Services for Toronto Water, Ashbridges Bay Treatment Plant (ABTP)

Date:	April 19, 2016
To:	Public Works and Infrastructure Committee
From:	General Manager, Toronto Water Director, Purchasing and Materials Management Division
Wards:	All
Reference Number:	P:\2016\Cluster B\TW\PWI16008

SUMMARY

The purpose of this report is to request Council authority to enter into new non-competitive contracts to maintain recently installed original equipment that will no longer be covered by warranty. The new contracts are with the companies noted below, being the exclusive distributors or manufacturers of proprietary parts and services, for a total of \$3,527,252.00 net of HST (\$3,589,332.00 net of HST recoveries). The initial term of the contracts will be from the date of issue to December 31, 2016, with the option to renew for eight (8) additional one (1) year periods.

1. Vector Process Equipment Inc.
2. Biorem
3. Mettler Toledo Inc.
4. Envirocan Wastewater Treatment Co. Ltd. of Woodbridge
5. Automated Logic United Technologies

City Council approval is required in accordance with Municipal Code Chapter 195- Purchasing, where the current request exceeds the Chief Purchasing Official's authority of the cumulative five year commitment limit under Section 1 of the Purchasing By-Law and also exceed the threshold of \$500,000 net of HST allowed under staff authority as per the Toronto Municipal Code, Chapter 71- Financial Control, Section 71-11A.

RECOMMENDATIONS

The General Manager, Toronto Water and the Director, Purchasing and Materials Management recommend that:

1. City Council authorize the General Manager, Toronto Water to negotiate and enter into non-competitive agreements with the vendors listed in Appendix A on terms and conditions satisfactory to the General Manager, Toronto Water and in a form satisfactory to the City Solicitor. The contracts will be for a period from the date of issue to December 31, 2016, with the option to renew for additional eight (8) separate one (1) year periods at the sole discretion of the City and subject to budget approval(s). The contracts will also be on the conditions that the vendors continue to be the manufacturers or are exclusive distributors for the goods and services. The estimated amount of these non-competitive contracts is \$3,527,252.00 net of HST (\$3,589,332.00 net of HST recoveries).

Financial Impact

The total potential cost to the City is \$3,527,252.00 net of HST, (\$3,589,332.00 net of HST recoveries). Funding in the amount of \$175,568.00 net of HST, (\$178,658.00 net of HST recoveries) is included in the 2016 Approved Operating Budget for Toronto Water, under Cost Centre TW4020 Ashbridges Bay Work Area 1, and Cost Element 2120, Parts, Machinery, Equipment and Services.

Should the City choose to exercise its option to renew for an additional eight (8) separate one year periods, then appropriate additional funding, if needed, will be included in the 2017-2024 annual Operating Budget Submissions for Toronto Water.

Funding details net of HST recoveries are provided below:

Year	Cost Centre/WBS Element	Cost Element	Net of HST Recoveries
2016	TW4022	2120	\$178,658
2017	TW4022	2120	\$374,816
2018	TW4022	2120	\$386,060
2019	TW4022	2120	\$397,635
2020	TW4022	2120	\$424,185
2021	TW4022	2120	\$436,979
2022	TW4022	2120	\$450,088
2023	TW4022	2120	\$463,588
2024	TW4022	2120	\$477,324
Grand Total			\$3,589,332

The above cost calculations for the Option Years reflect an estimated 3% increase commencing in 2017, except for 2020, as outlined in Appendix A, which is required for additional equipment at "D" Building and supplied by Automated Logic United Technologies.

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

DECISION HISTORY

On April 20, 2010, Public Works and Infrastructure Committee in accordance with section 195-14C of the City of Toronto Municipal Code (Purchasing), awarded contract 09FS-66WP, Tender Call 214-2009 for the Ashbridges Bay Treatment plant (ABTP), D building Upgrade in the amount of \$85,130,380.00 net of GST and HST recoveries to Kenaidan Contracting Ltd., having submitted the lowest bid meeting specifications in conformance with the Tender requirements. The following is link to PWI Decision Document:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.PW32.1>

ISSUE BACKGROUND

The equipment installed in the D Building was procured by the General Contractor Kenaidan Contracting Ltd. from the vendors noted in this report, the costs of which were included in P.O. 6030677.

The original equipment was put into service in early 2014 and the warranty periods are now expiring effective April 1, 2016. The new non-competitive contracts being requested with these five (5) vendors will provide the proprietary parts and services for equipment past the warranty periods. The equipment and machinery have an estimated life span of approximately 20 years, and this can be further extended with regular maintenance and retrofitting. The cost to completely replace the equipment and machinery is significantly higher than the cost of maintaining the equipment in good repair.

The vendors noted in this report, were among a larger group of vendors sourced by the City's consultant, AECOM Engineering, during the design stage of the "D" building. AECOM sourced companies based on their ability to manufacture or provide equipment which met the design criteria of the project. These companies were reviewed and agreed to by the City and subsequently included in the Tender document (Contract 09FS-66WP, Tender Call 214-2009).

All the equipment identified is necessary to ensure continuous operation of the ABTP in accordance with the Environmental Compliance Approval (sewage and air) as mandated by Ministry of Environment and Climate Change.

As part of the D Building Upgrade Project at ABTP, new perforated screens, compactor and auxiliary equipment such as weigh scales, grinders, biofilter system for odour control and a new Building Automation System were installed. Equipment and systems must be maintained at all times in order to keep the processes operational on a continuous basis. In order to do so, proprietary parts and specialized services are required for the equipment.

In August 2015, to assure short term continuous operation of some critical equipment, non-competitive contract No. 47019390 was issued to Vector Process Equipment Inc. in the amount of \$250,000.00 net of HST. This contract will expire on December 2016. As noted in Appendix A of this report, a new contract for Vector Process Equipment Inc. is requested commencing January 1, 2017.

COMMENTS

The five (5) vendors noted below are the only manufacturers or authorized dealers who can provide the knowledge and specialized parts for the proprietary wastewater systems. In accordance with Municipal Code, Chapter 195-1 Purchasing, maximum term of commitment limit and Chapter 71.11A of the Financial Control by-law, Toronto Water is requesting City Council authority to issue non-competitive contracts to vendors noted in this report for the maximum expenditure identified in Appendix A.

These vendors have provided firm pricing for equipment in the initial year and have confirmed that they will provide the City of Toronto with the best pricing possible for option years. In addition, Vector Process Equipment have confirmed they will limit unit prices to a 2% increase for two (2) years. Automated Logic have provided preventative maintenance pricing for five (5) years. Staff have reviewed the pricing for the equipment and services and have determined the pricing is fair and reasonable and that the City is receiving the best possible price.

It is recommended that the City enter into a non-competitive contract with each of the Vendors identified in Appendix A for the period from date of issue to December 31, 2016 for the maximum expenditure identified, and that staff be authorized to execute the eight (8) renewal option years and amend these non-competitive contracts for each successive year to the maximum amount identified in Appendix A.

In the event that other suitably qualified vendors (approved by the manufacturers/distributors) are identified, staff will follow all appropriate Purchasing By-Laws and procedures to ensure that a competitive process is initiated.

All the equipment (screens, washer/compactors, grinders, weigh scale, Building Automation System) installed in D Building are custom designed for the ABTP and are for unique applications.

1. Vector Process Equipment Inc. and Envirocan Wastewater Treatment Co. Ltd. of Woodbridge

The above two vendors supply perforated screens, washer/compactor and grinders. Rotating screens are installed in a channel to remove larger particles/ debris prior to primary and secondary treatment system. The screens are equipped and assembled with an electric motor, shaft, sprockets, bearings, chains and perforated panel. The screen panels are susceptible to

bending/damage due to larger debris and rags in the wastewater stream. Some of these items damage the panel components and affect the alignment of the screens. So far, the damaged panels and parts were replaced/repared using the initial spare parts supplied under the construction contract or through warranties. However, in the future, these proprietary parts must be kept in inventory and immediately available to effect any emergency repair.

The system is equipped with brushes, gear boxes coupled together by nuts/bolts. The brushes and screen parts (motor, gear box, helical screws, bearings, oil seals etc.) will require replacement and/or repair as they wear over time.

A grinder chops the larger objects (wood, grit, smaller rocks) into smaller parts so that they can be pumped. The teeth along with other parts – shaft, seal, and liners on the grinder wear out overtime. Hence the grinder needs to be rebuilt frequently to keep the system operational.

2. Biorem

Biofilter system from Biorem was installed to remove odourous air from the process and treat it prior to being released. A biofilter system is made up of a proprietary structured media installed in concrete cells. The other components of the biofilter include a humidifier, fans and circulating pumps operating continuously. The media is to be sampled and tested after a predetermined interval to initiate corrective action and determine its life expectancy. This will require quarterly visits from the vendor to test the media and determine issues if any with the system. Similarly, some consumable parts such as immersion heater and a standby pump which are critical to system operation would need to be kept in inventory for unexpected repairs.

Biorem was selected through an extensive pilot testing of many technologies conducted by the City.

3. Mettler Toledo Inc.

The weigh scale from Mettler Toledo Inc. was installed at the plant. The compacted screenings are conveyed to a truck in a loading bay through a series of conveyors. Plant staff receive an alarm to change the truck based on the weight of the screenings in the truck. Hence proper operation and maintenance of the weigh scale system is critical for the operation of the screenings and grit loading system. Parts and service for the weigh scale repairs are available from an exclusive supplier.

4. Automated Logic United Technologies

The plant installed two (2) new Building Automation Systems to manage heating/cooling requirements. Both the systems are supplied by Automated Logic on a proprietary basis. For proper operation of the system, the equipment/software and specialized services are required for efficient and trouble free operation. This contract will ensure the equipment is properly maintained to ensure reliability of the Building Automation Systems.

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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ATTACHMENT

Appendix A – List of Non-Competitive Contract Values

PW13.1 Appendix A

Appendix A - List of Non-Competitive Values

Vendor	Goods/Service Provided	First Term Contract issue date to Dec. 31, 2016	Option Year 1 Jan. 1 to Dec. 31, 2017	Option Year 2 Jan. 1 to Dec. 31, 2018	Option Year 3 Jan. 1 to Dec. 31, 2019	Option Year 4 Jan. 1 to Dec. 31, 2020	Option Year 5 Jan. 1 to Dec. 31, 2021	Option Year 6 Jan. 1 to Dec. 31, 2022	Option Year 7 Jan. 1 to Dec. 31, 2023	Option Year 8 Jan. 1 to Dec. 31, 2024	Total Potential Award	Rationale
Vector Process Inc.	Parts, service and maintenance for Kusters-Water	0.00	187,500	193,125	198,919	204,886	211,033	217,364	223,885	230,601	1,667,313	Exclusive representative and sole distributor of Kusters Water in Ontario
Biorem	Parts, service and maintenance for Biorem Biofilters	47,562	48,989	50,459	51,972	53,531	55,137	56,792	58,495	60,250	483,187	Manufacturer and exclusive supplier for unique patented system (US Patent #5595910, #5656494)
Mettler Toledo Inc.	Parts, service and maintenance for weigh scale	32,000	32,960	33,949	34,967	36,016	37,097	38,210	39,356	40,537	325,092	Exclusive product and service provider/distributor for GTA region
Envirocan Wastewater Treatment Equipment Co. Ltd. of Woodbridge	Parts, service and maintenance for Chopper/Grinder Pump	89,782	92,476	95,250	98,108	101,051	104,082	107,205	110,421	113,734	912,109	Exclusive distributor of JWC Environmental specialized parts for the equipment
Automated Logic	Parts and service for Building Automation System	6,224	6,408	6,600	6,792	21,364*	22,072	22,732	23,413	23,946	139,551	Manufacturer and Proprietary supplier of factory owned system and service for building automation system
Total Net of HST		175,568	368,333	379,383	390,758	416,848	429,421	442,303	455,570	469,068	3,527,252	
Total Including HST		198,392	416,216	428,703	441,557	471,038	485,246	499,802	514,794	530,047	3,985,795	
Total Net of HST Recoveries		178,658.	374,816	386,060	397,635	424,185	436,979	450,088	463,588	477,324	3,589,332	

*the increase in 2020 is for additional equipment which will be required at "D" Building and supplied by Automated Logic United Technologies.