



STAFF REPORT ACTION REQUIRED

Non-competitive Contracts with Alfa Laval Inc., and Pro Aqua Inc., for Proprietary Parts, Equipment, and Services at Various Water Treatment and Waste Water Facilities

Date:	April 18, 2016
To:	Public Works and Infrastructure Committee
From:	General Manager, Toronto Water Director, Purchasing and Materials Management
Wards:	All
Reference Number:	P:\2016\Cluster B\TW\PWI16009

SUMMARY

The purpose of this report is to request authority for the General Manager to negotiate and enter into non-competitive contracts with Alfa Laval Inc. and Pro Aqua Inc. These contracts are for the continued supply of proprietary parts, equipment and service for the process equipment used at various water treatment and waste water facilities from the date contract is issued to March 31, 2017, with the option to renew for additional five (5) separate one (1) year periods, at the sole discretion of the City and subject to budget approval(s), for the total amount of \$6,277,343.13 net of HST and \$6,387,824.37 net of HST recoveries.

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 a non-competitive agreement with the Alfa Laval Inc. for the continued supply of proprietary parts, equipment and service from the date contract is issued to March 31, 2017, and further, with the option to renew for additional five (5) separate one (1) year periods, at the sole discretion of the City and subject to budget approval(s), for the amount of \$4,317,507.44 net of HST (\$4,393,495.57 net of HST recoveries) on terms and conditions satisfactory to the General Manager, Toronto Water and in a form satisfactory to the City Solicitor.
2. City Council authorize the General Manager, Toronto Water to negotiate and enter into a non-competitive agreement with the Pro Aqua Inc. for the continued supply of proprietary parts, equipment and service from the date contract is issued to March 31, 2017, and further, with the option to renew for five additional (5) separate one (1) year periods, at the sole discretion of the City and subject to budget approval(s), for the amount of \$1,959,835.69 net of HST (\$1,994,328.80 net of HST recoveries) on terms and conditions satisfactory to the General Manager, Toronto Water and in a form satisfactory to the City Solicitor.

Financial Impact

The total estimated contract value including all option years, identified in this report is \$6,277,343.13 net of HST (\$6,387,824.37 net of HST recoveries). Funding in the amount of \$320,559 is included in the 2016 Approved Operating Budget for Toronto Water. Funding in the amount of \$83,237 for the balance of the contract period will be included in the 2017 Operating Budget Submission. Funding in the amount of \$749,908 is included in the 2016 Approved Capital Budget and 2017-2025 Approved Capital Plan for Toronto Water, as detailed in the table on page 3.

Should the City choose to exercise its option to renew for an additional five (5) separate one year periods, then appropriate additional funding, if needed, will be included in the 2017-2022 Annual Operating and Capital Budget Submissions for Toronto Water.

Funding details net of HST recoveries are provided below:

Contract Period	Cost Centre TW4036 TW4070 TW4095	Cost Centre TW7030 TW7045	WBS Element CWW019-25	Total Net of HST Recoveries
	Cost Element 2120/4403	Cost Element 2120/4403	Cost Element 2120/4403	
Contract Issue Date to December 31, 2016	\$256,447	\$64,112	\$595,324	\$915,884
January 1 to March 31, 2017	\$66,590	\$16,647	\$154,584	\$237,821
Total Original Contract Period:	\$323,037	\$80,759	\$749,908	\$1,153,705
April 1 to December 31, 2017	\$199,770	\$49,942	\$463,751	\$713,464
January 1 to March 31, 2018	\$69,281	\$17,320	\$160,831	\$230,112
Total Option Year 1:	\$269,051	\$67,263	\$624,582	\$960,896
April 1 to December 31, 2018	\$207,843	\$51,961	\$482,493	\$742,297
January 1 to March 31, 2019	\$72,226	\$18,057	\$167,668	\$257,951
Total Option Year 2:	\$280,069	\$70,017	\$650,161	\$1,000,248
April 1 to December 31, 2019	\$216,679	\$54,170	\$503,004	\$773,853
January 1 to March 31, 2020	\$75,476	\$18,869	\$175,213	\$269,559
Total Option Year 3:	\$292,155	\$73,039	\$678,218	\$1,043,412
April 1 to December 31, 2020	\$226,429	\$56,607	\$525,640	\$808,677
January 1 to March 31, 2021	\$79,095	\$19,774	\$183,614	\$282,482
Total Option Year 4:	\$305,525	\$76,381	\$709,253	\$1,091,159
April 1 to December 31, 2021	\$237,285	\$59,321	\$550,841	\$847,447
January 1 to March 31, 2022	\$81,468	\$20,367	\$189,122	\$290,957
Total Option Year 5:	\$318,753	\$79,688	\$739,963	\$1,138,404
Grand Total				\$6,387,824

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

DECISION HISTORY

On March 7, 2006 City Council, granted the authority to enter into non-competitive contracts for the vendors identified Appendix A of Report 2, Clause 2 for a twelve-month period commencing April 1, 2006 until March 31, 2007, with the option to renew for three (3) additional one (1) year periods. The vendors listed in Appendix 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.

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

On February 22 and 23, 2010 City Council, granted the authority to enter into non-competitive contracts for the vendors identified in Appendix 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 Appendix 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.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.PW30.5>

ISSUE BACKGROUND

Toronto Water requires repair service and parts for process equipment used at its various water treatment and wastewater 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 and Climate Change. 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 Environmental Compliance Approval.

Reliable operation of this equipment is essential in order to meet similar legislative requirements and improve near shore water quality. The majority of centrifuge equipment used within all treatment plants is in excess of six (6) years old. For Ashbridges Bay Treatment Plant, several of the centrifuges are more than ten (10) years in age. This aging equipment requires significantly more maintenance as the years progress.

Alfa Laval Inc. Sharples centrifuges are used to dewater biosolids. Alfa Laval Inc. is the manufacturer for Alfa Laval Sharples parts, service and repairs. These centrifuges are installed at Ashbridges Bay Treatment Plant (dewatering), 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 Ashbridges Bay Treatment Plant, Schwing pumps are used to convey dewatered biosolids. Dewatered biosolids are abrasive and solids pumping is generally prone to mechanical fouling, as such Schwing pumps require progressively more aggressive

maintenance as the equipment ages. Similar to the centrifuge units, several of the Schwing pumps are reaching seven (7) years of service and are incurring increased maintenance costs.

Pro Aqua Inc. is the sole authorized distributor for Schwing parts, service and repairs as confirmed by the manufacturer, Schwing Bioset. Schwing pumps are used to convey dewatered solids are installed at Ashbridges Bay Treatment Plant (dewatering) and Highland Creek Treatment Plant (dewatering).

COMMENTS

The above-noted vendors remain the only manufacturers or 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 suppliers for the supply of the parts and services required. The contracts with the vendors listed in Appendix A were approved under authority for PW30.5 by City Council on February 22 and 23, 2010.

These contracts covered the period from April 1, 2010 to March 31, 2016. Spending for each contract, net of HST, is shown in the table below.

Vendor	Contract Number	Contract Target Value Net of HST	Total Contract Expenditure Net of HST
Pro Aqua	47015065	\$1,328,678	\$1,319,728
Alfa Laval Inc.	47015062	\$3,426,874	\$2,864,586

Pro Aqua Inc. is sole authorized distributor for Schwing pump parts, service & repairs as confirmed by the manufacturer, Schwing Bioset, and Alfa Laval Inc. is the manufacturer of Alfa Laval/Sharples equipment. The continued supply of these goods and services ensures that the warranty on the existing equipment will not be impacted because they are properly maintained.

Toronto Water staff have confirmed that the City is receiving the lowest possible price when compared to other related industries and companies of their goods and services. 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.

Due to the on-going requirement for the Schwing pump parts, service and repairs, and Alfa Laval / Sharples equipment, staff conducted an assessment of future requirements. Historical usage and estimated future maintenance costs due to aging infrastructure were considered in the preparation of the contract requirements stated in this report.

In the event that other suitably qualified vendors (approved by the manufacturers / distributors) are identified, Toronto Water staff will initiate a competitive process in accordance with purchasing policies and procedures.

The centrifuges were competitively procured and installed at various times since the mid 1990's through to 2002. Centrifuges have an estimated life span of at least 20 years, and this can be further extended with regular maintenance and retrofitting.

The Schwing pumps were competitively procured and installed at various times since the late 1990's and continued through to 2013. They have an estimated life span of 15-20 years, which can also be extended with retrofitting.

The cost to completely replace all the centrifuges and pumps is significantly higher than the cost of maintaining this equipment in good repair. Establishing non-competitive contracts for the continued supply of these proprietary goods and services will ensure that the equipment is properly maintained and prolong its lifespan.

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

Appendix A- List of Non-Competitive Contracts

PW13.4 Appendix A

APPENDIX A

Net of HST Recoveries

Vendor	Goods/Service Provided	Contract Issue Date - Mar 31, 2017	Option Years					Total (including all Option Years)	Reason for Non-competitive
			Option Year 1 Apr 1 2017-Mar 31, 2018	Option Year 2 Apr 1, 2018-Mar 31, 2019	Option Year 3 Apr 1, 2019-Mar 31, 2020	Option Year 4 Apr 1, 2020-Mar 31, 2021	Option Year 5 Apr 1, 2021-Mar 31, 2022		
Pro Aqua Inc.	Parts, service and maintenance for Schwing America pumps.	\$370,607	\$305,835	\$315,010	\$324,461	\$334,195	\$344,220	\$1,994,328	Sole authorized distributor for Schwing pump parts, service & repairs.
Alfa Laval Inc.	Parts, service and maintenance for Alfa Laval Inc. Sharples centrifuges.	\$783,098	\$655,061	\$685,238	\$718,951	\$756,965	\$794,184	\$4,393,496	Manufacturer of Alfa Laval Inc. Sharples centrifuge parts, service & repairs
Total Value:		\$1,153,705	\$960,896	\$1,000,248	\$1,043,412	\$1,091,159	\$1,138,404	\$6,387,824	

Annual values are estimated based on historical needs and expected maintenance and include an inflationary increase of 3% each option year.