



## STAFF REPORT ACTION REQUIRED

### **Non-Competitive Contract with Evoqua Water Technologies Ltd. for the Purchase of Proprietary Essential Parts for Maintenance of Process Equipment at Water and Wastewater Treatment Plants.**

<b>Date:</b>	May 27, 2016
<b>To:</b>	Public Works and Infrastructure Committee
<b>From:</b>	General Manager, Toronto Water and Director, Purchasing and Materials Management
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2016\Cluster B\TW\PWI16010

### **SUMMARY**

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The purpose of this report is to request authority for the General Manager to negotiate and enter into a non-competitive contract with Evoqua Water Technologies Ltd. This contract will be for the supply of proprietary parts and supplies required for the maintenance of water and wastewater treatment process equipment. The initial term of this contract will be from the date the contract is issued to December 31, 2016, with the option to renew for five (5) additional one (1) year periods at the sole discretion of the City and subject to budget approvals for the total amount of \$2,175,653.71 net of HST (\$2,213,945.21 net of HST recoveries).

City Council approval is required in accordance with Toronto 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 exceeds 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

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**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 Evoqua Water Technologies Ltd. for the supply of proprietary parts required for the maintenance of Wallace and Tiernan chemical feed equipment. The contract will be for a period from the date the contract is issued to December 31, 2016, with the option to renew for an 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 \$2,175,653.71 net of HST (\$2,213,945.21 net of HST recoveries). The contract will also be on the condition that the vendor continues to be the manufacturer or exclusive supplier of the parts and will be on terms and conditions satisfactory to the General Manager, Toronto Water and in a form satisfactory to the City Solicitor.

### Financial Impact

The total potential cost to the City, including the option years is \$2,175,653.71 net of HST (\$2,213,945.21 net of HST recoveries). Funding in the amount of \$125,000.00 net of HST, (\$127,200.00 net of HST recoveries) is included in the 2016 Approved Operating Budget for Toronto Water, under Cost Centres TW7030, TW7060 and TW4017, 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 2017-2021 annual Operating Budget Submissions for Toronto Water.

Funding details net of HST recoveries are provided below:

Facility	Cost Centre	Cost Element	Cost Net of HST Recoveries						Total
			2016	2017	2018	2019	2020	2021	
R.C. Harris Water Treatment Plant	TW7030	2120							
Island Water Treatment Plant	TW7060	2120	\$127,200.00	\$393,048.00	\$404,839.44	\$416,984.62	\$429,494.16	\$442,378.99	\$2,213,945.21
Ashbridges Bay Treatment Plant	TW4017	2120							

The above cost calculations for the Option Years reflect an estimated 3% increase commencing in 2017.

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

## **DECISION HISTORY**

This report is requested by the Water Treatment and Supply and Wastewater Treatment sections of Toronto Water to facilitate the maintenance of essential process equipment at four water treatment plants and one wastewater treatment plant.

In May of 2016, to ensure short term continuous operation of critical water and wastewater treatment equipment, a non-competitive Purchase Order No. 6043159 was issued to Evoqua Water Technologies Ltd. in the amount of \$200,000.00 net of HST for the interim maintenance requirements until a contract for the long term supply of essential parts is established.

## **ISSUE BACKGROUND**

Toronto Water provides water supply and wastewater treatment services 24 hours a day, 7 days a week to 2.8 million residents of the City of Toronto, as well as water supply to the Region of York. Toronto Water uses gaseous chemical feed equipment for the water treatment process at four water treatment facilities, as well as at one wastewater treatment facility. This equipment includes 68 Wallace and Tiernan Micro 2000 chlorine analyzers, 37 Wallace and Tiernan chlorine and sulphur dioxide gas feeders, and 40 Wallace and Tiernan chlorine and sulphur dioxide evaporators across these five facilities. This equipment was purchased ten (10) to twelve (12) years ago as part of a significant process upgrade project through a consultant/general contractor. The upgrade project also included the supply of replacement parts for a one (1) year period after the installation was completed.

As part of the water and wastewater treatment process, liquid chlorine under pressure is evaporated and fed to the process stream under vacuum. A similar process is used to apply sulphur dioxide to the process stream at water treatment plants to control the residual level of chlorine in drinking water distributed to customers. Chlorine analyzers are used to accurately measure the chlorine residual in the process water stream. It is necessary that the associated chemical feed and analysis equipment is maintained in good working order to ensure proper function of the treatment processes and maintain compliance with MOECC regulations, plant operating permits, licenses and ECAs as applicable. Failure to maintain the equipment could result in non-compliance with environmental regulations or a loss of service delivery to our consumers (residents of Toronto and York Region, as well as institutional, commercial and industrial customers). Loss of service delivery can also result in a loss of fire protection, putting at risk the lives and property of residents and businesses.

Chlorine and sulphur dioxide are dangerous substances and use of these products can represent a risk to the health and safety of our staff and the general public if not handled properly. Failure to maintain chemical feed equipment regularly using proper replacement parts and components will jeopardize staff and public safety.

## COMMENTS

To ensure the safety of the gas feed equipment and to maintain operation of water and wastewater treatment processes in compliance with regulatory requirements, the analyzers, gas feeders and evaporators must be regularly maintained and Original Equipment Manufacturer (OEM) replacement parts must be readily available.

Parts for this equipment can only be supplied by Evoqua Water Technologies Ltd. (formerly Siemens Water Technologies Ltd, and originally Wallace and Tiernan). Evoqua is the sole supplier for new Wallace and Tiernan equipment, as well as replacement parts for all Wallace and Tiernan products currently installed in Toronto Water facilities. Wallace and Tiernan parts (supplied by Evoqua) are specifically designed for this equipment and any part from a source other than Evoqua may cause damage or will not allow the equipment to operate to its full design specifications. The use of OEM parts will ensure that the equipment remains in compliance with manufacturer standards and will allow the equipment to be safely operated and maintained. The recommended Vendor has provided pricing for required parts and equipment and made representations indicating that competitive prices, comparable to those offered other large government organizations, have been offered. Comparison with historic pricing indicates the City is receiving fair pricing from the vendor. Staff has reviewed the pricing for the goods and have determined that the pricing is fair and reasonable.

It is recommended that the City enter into a non-competitive contract with Evoqua Water Technologies Ltd. for the period from the date the contract is issued to December 31, 2016 and that staff be authorized to execute five (5) renewal option years and amend the non-competitive contract for each successive year to the maximum amount identified in the Financial Impact statement in this report.

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 will be conducted for on-going requirements.

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

## **CONTACT**

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## **SIGNATURE**

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Lou Di Gironimo  
General Manager  
Toronto Water

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Michael Pacholok  
Director  
Purchasing and Materials Management