



## REPORT FOR ACTION

### **Non-competitive Contract with Strongco Limited Partnership for Proprietary OEM Parts and Services**

**Date:** September 17, 2019  
**To:** General Government and Licensing Committee  
**From:** General Manager, Fleet Services; and Chief Purchasing Officer, Purchasing and Materials Management Division  
**Wards:** All

#### **SUMMARY**

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The purpose of this report is to seek City Council authority for the General Manager, Fleet Services to negotiate and enter into a non-competitive contract with Strongco Limited Partnership for the supply and delivery to the City of Toronto (City), proprietary OEM (original equipment manufacturer) parts and specialized services for Volvo, Case and Terex equipment repair and maintenance.

The contract will be for a period of one (1) year, commencing on November 1, 2019 to October 31, 2020 with the option to renew the contract for four (4) additional one (1) year periods at the sole discretion of the City, and subject to budget approvals for the total contract amount of \$9,432,631 net of HST (\$9,598,645 net of HST recoveries), inclusive of all option renewal years.

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 for each vendor, under Article 7, Section 195-7.3 (D) of the Purchasing By-Law or 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, Fleet Services, and the Chief Purchasing Officer, Purchasing and Materials Management Division recommend that:

1. City Council grant authority to the General Manager, Fleet Services to negotiate and enter into a non-competitive contract with Strongco Limited Partnership, for the supply and delivery to the City of OEM (Original Equipment Manufacturer) parts and

specialized services for Volvo, Case and Terex equipment repair and maintenance on the following terms and conditions:

- a. The initial term of the contract will be for a period of one (1) year, commencing on November 1, 2019 to October 31, 2020 with the option to renew the contract for four (4) additional separate one (1) year periods, subject to the exercise of each option year being at the sole discretion of the General Manager, Fleet Services Division and subject to the amounts payable under the contract being available under the current Fleet Services Division budget approval(s). The amount of this non-competitive contract is \$9,432,631 net of HST (\$9,598,645 net of HST recoveries) for the entire duration of the contract, inclusive of all option renewal years.
- b. The contract will be based on the condition that Strongco Limited Partnership continues to be the exclusive distributor for the proprietary OEM parts and specialized services for Volvo, Case and Terex equipment.
- c. on terms and conditions satisfactory to the General Manager, Fleet Services and in a form satisfactory to the City Solicitor.

## **FINANCIAL IMPACT**

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The total potential cost to the City, including all option years is \$9,432,631 net of HST (\$9,598,645 net of HST recoveries). The above cost calculations for the option years reflect an estimated 3% annual increase in the Consumer Price Index.

Funding in the amount of \$451,987 net of HST recoveries is included in the 2019 Approved Operating Budget for Fleet Services Division. Funding for years 2020 and beyond will be included in Fleet Services Division's 2020 and future year Operating Budget Submissions as appropriate or required.

Should the City choose to exercise the option to renew for an additional four (4) separate one (1) year period, then appropriate additional funding, will be included in the 2020-2024 annual Operating Budget submissions for Fleet Services Division.

Approved 2019 funding and estimated 2020-2024 funding, net of HST recoveries are provided in Table 1.

**Table 1: Approved 2019 funding and projected 2020-2024 funding (net of HST recoveries)**

| <b>Agreement Term</b>  | <b>Cost Centre / WBS Element</b> | <b>Cost Element</b>   | <b>Net of HST</b> | <b>Total Net of HST Recoveries</b> |
|--|----------------------------------|---|-------------------|------------------------------------|
| Initial one (1) year term from November 1, 2019 to December 31, 2019 | FL100 (Fleet Maintenance)        | 4404 Contr. Services & 2181 Parts - Vehicles & 2130 - Mobile Equip. Parts | \$444,170         | \$451,987                          |
| Initial one (1) year term from January 1, 2020 to October 31, 2020   | FL100 (Fleet Maintenance)        | 4404 Contr. Services & 2181 Parts - Vehicles & 2130 - Mobile Equip. Parts | \$1,332,509       | \$1,355,962                        |
| Option year one (1) from November 1, 2020 to October 31, 2021        | FL100 (Fleet Maintenance)        | 4404 Contr. Services & 2181 Parts - Vehicles & 2130 - Mobile Equip. Parts | \$1,829,980       | \$1,862,187                        |
| Option year two (2) from November 1, 2021 to October 31, 2022        | FL100 (Fleet Maintenance)        | 4404 Contr. Services & 2181 Parts - Vehicles & 2130 - Mobile Equip. Parts | \$1,884,879       | \$1,918,053                        |
| Option year three (3) from November 1, 2022 to October 31, 2023      | FL100 (Fleet Maintenance)        | 4404 Contr. Services & 2181 Parts - Vehicles & 2130 - Mobile Equip. Parts | \$1,941,425       | \$1,975,594                        |

| Agreement Term   | Cost Centre / WBS Element | Cost Element  | Net of HST  | Total Net of HST Recoveries |
|--|---------------------------|---|-------------|-----------------------------|
| Option year four (4) from November 1, 2023 to October 31, 2024 | FL100 (Fleet Maintenance) | 4404 Contr. Services & 2181 Parts - Vehicles & 2130 - Mobile Equip. Parts | \$1,999,668 | \$2,034,862                 |
| Total  |                           |   | \$9,432,631 | \$9,598,645                 |

Table 1 reflects the expected scheduled maintenance cycle cost as per manufacturer's recommendations.

Fleet Services Division staff will ensure that future annual operating budgets are incorporated in the annual planned spending related to this contract, subject to approval(s).

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

**DECISION HISTORY**

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On May 31, 2018, Fleet Services Division issued a competitive Request for Quotation (RFQ) No. 6026-18-0062 for the provision of OEM parts and specialized services for various equipment makes and models. The RFQ included separate price schedules for each construction equipment manufacturer. Bidders were required to be an authorized dealer for the equipment manufacturer they were bidding on. This was a mandatory requirement to ensure equipment warranties would not be jeopardized. The RFQ closed on July 3, 2018 and the City received one bid for Volvo equipment from Strongco and one bid for Case from Strongco. These contracts are expiring October 31, 2019.

The previous contract award for the supply and delivery of warranty and non-warranty services, and parts on off-road construction equipment can be viewed at: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.BA107.2>

**COMMENTS**

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The parts and specialized services for the equipment manufacturers outlined in this report cannot be obtained through the competitive procurement process and the required non-competitive contract meets the criteria of the exception code 2, Exclusive Rights in the Purchasing By-law.

This non-competitive contract includes the supply of all OEM labour, materials and equipment necessary to provide warranty and non-warranty services, including preventative maintenance inspections and repairs on Volvo, Terex and Case equipment for the City of Toronto's Fleet Services Division, all in accordance with the provisions and specifications that will be contained in the legal agreement.

Fleet Services Division requires the supply and delivery of proprietary OEM parts and specialized services which can only be provided by the vendor identified in this report. The original equipment manufacturers have confirmed in writing that the parts and services for the equipment types identified in this report are proprietary to the authorized dealer Strongco Limited Partnership. Strongco Limited Partnership is the authorized distributor for the heavy equipment and engines, and is the only authorized equipment dealer for their respective territory, which includes the Greater Toronto Area.

Pricing submitted by Strongco Limited Partnership includes discounts off labour rates and OEM parts. Fleet Services has reviewed the pricing and confirmed it is comparable to historical rates, current market, other municipalities as well as other OEM vendors for repair and maintenance of highly specialized construction equipment.

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

## **CONTACT**

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## **SIGNATURE**

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