



REPORT FOR ACTION

Amendment to Contract with Kodiak Group Holdings Co. Operating as Work Authority for Various Safety Footwear

Date: April 23, 2020

To: General Government and Licensing Committee

From: Acting Fire Chief, Toronto Fire Services and Chief Purchasing Officer

Wards: All

SUMMARY

The purpose of this report is to request authority to amend the contract issued to Kodiak Group Holdings Co. operating as (o/a) Work Authority ("Work Authority"), arising from Request for Quotation No. 0114-18-008 ("RFQ No. 0114-18-0008") for the non-exclusive supply of various safety footwear, occupational footwear, and galoshes for male and female employees of various City of Toronto Divisions ("Safety Footwear Contract").

This amendment would be in accordance with Section 71 11.1.C of the City of Toronto Municipal Code Chapter 71 (Financial Control Bylaw). On September 5, 2018, the City's Bid Award Panel approved the awarding of the Safety Footwear Contract, based on the estimated costs for the various City Divisions based on the estimated volume for each Division, and the average price established in Work Authority's response to RFQ No. 0114-18-0008. However, due to specific obligations under the Collective Agreement between the City of Toronto and the Toronto Professional Fire Fighters' Association, Local 3888 (CA), the average cost incurred by the City per eligible Toronto Fire Services (TFS) employee is significantly higher than this estimated cost, resulting in the estimated total cost for the Safety Footwear Contract being higher than contained in the 2018 Staff Report to the Bid Award Panel.

The Safety Footwear Contract is in effect from September 10, 2018, and will end on June 30, 2020, with the option to renew for three (3) additional separate one (1) year terms. The total potential amount of the Safety Footwear Contract, including all option years was estimated, based on the calculations at the time of the 2018 award at \$6,533,497 net of HST recoveries, \$7,255,161 including all applicable taxes and charges and \$6,420,496 net of all applicable taxes and charges. In calculating the estimate of the total value, the proposed amendment would correct the shortcoming of the previous estimate, by including the complications in safety footwear expenses incurred by TFS.

The proposed amendment would increase the value of Safety Footwear Contract, including all option years by \$1,606,710 net of HST recoveries, \$1,784,181 including all applicable taxes and charges and \$1,578,921 net of all applicable taxes and charges.

RECOMMENDATIONS

The Acting Fire Chief and Chief Purchasing Officer recommend that:

1. City Council, in accordance with Section 71 11.1.C of the City of Toronto Municipal Code Chapter 71 (Financial Control Bylaw), grant authority to the Chief Purchasing Officer to amend the contract awarded to Kodiak Group Holdings Co. o/a Work Authority for the supply of various Safety Footwear, Occupational Footwear and Galoshes for Male and Female Employees for the City of Toronto's various Divisions, arising from Request for Quotation No. 0114-18-0008 by increasing the maximum value of the contract including all option years as outlined in Attachment No. 1 to this report, to not exceed \$8,140,206 net of HST recoveries, \$9,039,341 including all applicable taxes and charges and \$7,999,416 net of all applicable taxes and charges.

FINANCIAL IMPACT

The requested contract amendment increases the Safety Footwear Contract by \$828,760 net of HST (\$843,347 net of HST recoveries) with respect to the initial term. The requested contract amendment increases would increase the contract by an additional \$257,548 net of HST (\$262,081 net of HST recoveries) with respect to the 1st optional one year term period, if exercised. Similarly, with respect to the 2nd and 3rd option years, the increase in value would be \$250,128 net of HST (\$254,530 net of HST recoveries) and \$242,485 net of HST (\$246,752 net of HST recoveries) respectively.

Currently, the total potential award including all option years is \$6,533,497 net of HST recoveries, the proposed amendment would increase this total to \$8,140,206 net of HST recoveries.

Funding for the requested amendment is included in the 2020 Approved Operating Budget and the 2021 Outlook for TFS. The budget for safety footwear is based on the terms of the Collective Agreement, and is included in Cost Centre FR0019, Cost Element 2660/2665. Should the future year renewal terms be exercised, then sufficient funding will be included in the Operating Budget Submissions for TFS. The details of the contract amendment are provided in Attachment No. 1 to this report.

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

DECISION HISTORY

On September 5, 2018, the City's Bid Award Panel adopted recommendation to award the contract arising from Request for Quotation No. 0114-18-0008 to Kodiak Group Holdings Co. o/a Work Authority for the supply of various Safety Footwear,

Occupational Footwear and Galoshes for Male and Female Employees for the City of Toronto's various Divisions without amendment. Total contract value for all participating City of Toronto Divisions is \$2,477,222 net of all applicable taxes.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.BA95.1>

COMMENTS

The provision of safety footwear is a contractual obligation under the Collective Agreement between the City of Toronto and the Toronto Professional Fire Fighters' Association, Local 3888 (CA). Section 27.04 of the Collective Agreement between the City of Toronto and the Toronto Professional Fire Fighters' Association, Local 3888 (CA), stipulates that each employee is assigned a fixed number of points every calendar year which is exchanged for uniforms and footwear. Each employee is entitled, within the annual point allotment, to receive one (1) pair of safety footwear each calendar year. In addition, staff are permitted, with proper authorization, to obtain in-year replacements due to loss or damage to a maximum value of \$187.00, inclusive of taxes.

During the development of the RFQ, TFS estimated usage of approximately 6,400 safety shoes during the contract's initial two (2) year term, i.e., approximately 3,200 pairs per year. When the contract was issued, the lowest compliant bidder's average price of \$59.00, for "Male Safety Footwear item category 3a) Boots: low-cut non-insulated," along with the other Price Form safety footwear items, were used to establish an estimated expense of \$480,295, net of HST, for TFS with respect to the initial term.

The estimated provision has resulted in the value of the contract with Work Authority being understated by the costs associated with the obligations identified in the CA, which results in an average cost close to the maximum entitlement value under the CA of \$187.00. This complication in estimating expenses for the City has resulted in a significant contract shortfall in the first term and a projected shortfall for each of the additional option terms.

Based on historical usage Purchasing and Materials Management Division (PMMD) and TFS now estimates approximately 10,800 TFS staff will redeem their safety footwear points between 2020 and 2023, i.e., 2,700 orders in each year. TFS is projecting a contract shortfall during the first term of the contract of \$828,760 net of HST, a shortfall of \$257,548 net of HST in the 1st option renewal term, a shortfall of \$250,128 net of HST in the 2nd option renewal term, and a shortfall of \$242,485 net of HST in the 3rd option renewal term. As a result of the price differentiation, a total contract amendment of \$1,578,921 net of HST (\$1,606,710 net of HST recoveries) is required to ensure the contract is not overspent in the first fixed term and the three option renewal terms.

To address the issue with respect to the entire potential term of the agreement would require amendments as outlined in Attachment No. 1 resulting in a new total contract value of \$8,140,206 net of HST recoveries, \$9,039,341 including all applicable taxes and charges and \$7,999,416 net of all applicable taxes and charges

CONTACT

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SIGNATURE

Jim Kay
Acting Fire Chief

Michael Pacholok
Chief Purchasing Officer

ATTACHMENTS

Attachment No. 1: Blanket Contract History details

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Initial Estimate	Projected Increase	New Modified Estimate
<p>Initial Term - Expiring June 30, 2020</p> <p>\$2,477,222 net of all applicable taxes and charges.</p> <p>\$2,799,261 including HST and all applicable charges.</p> <p>\$2,520,821 net of HST recoveries.</p>	<p>\$828,760 net of all applicable taxes and charges.</p> <p>\$936,499 including HST and all applicable charges.</p> <p>\$843,347 net of HST recoveries.</p>	<p>\$3,305,982 net of all applicable taxes and charges.</p> <p>\$3,735,759 including HST and all applicable charges.</p> <p>\$3,364,167 net of HST recoveries.</p>
<p>Option Year 1: July 1, 2020 to June 30, 2021</p> <p>\$ 1,275,769 net of all applicable taxes and charges.</p> <p>\$ 1,441,619 including all applicable taxes and charges.</p> <p>\$ 1,298,223 net of HST recoveries.</p>	<p>\$257,548 net of all applicable taxes and charges.</p> <p>\$291,030 including all applicable taxes and charges.</p> <p>\$262,081 net of HST recoveries.</p>	<p>\$1,533,317 net of all applicable taxes and charges.</p> <p>\$1,732,649 including all applicable taxes and charges.</p> <p>\$1,560,304 net of HST recoveries</p>
<p>Option Year 2: July 1, 2021 to June 30, 2022</p> <p>\$ 1,314,042 net of all applicable taxes and charges.</p> <p>\$ 1,484,868 including all applicable taxes and charges.</p> <p>\$ 1,337,169 net of HST recoveries.</p>	<p>\$250,128 net of all applicable taxes and charges.</p> <p>\$282,644 including all applicable taxes and charges.</p> <p>\$254,530 net of HST recoveries.</p>	<p>\$1,564,170 net of all applicable taxes and charges.</p> <p>\$1,767,512 including all applicable taxes and charges.</p> <p>\$1,591,699 net of HST recoveries.</p>

Initial Estimate	Projected Increase	New Modified Estimate
<p>Option Year 3: July 1, 2022 to June 30, 2023</p> <p>\$ 1,353,464 net of all applicable taxes and charges.</p> <p>\$ 1,529,414 including all applicable taxes and charges.</p> <p>\$ 1,377,284 net of HST recoveries.</p>	<p>\$242,485 net of applicable taxes and charges.</p> <p>\$274,008 including all applicable taxes and charges.</p> <p>\$246,752 net of HST recoveries.</p>	<p>\$1,595,948 net of all applicable taxes and charges.</p> <p>\$1,803,421 including all applicable taxes and charges.</p> <p>\$1,624,036 net of HST recoveries.</p>
<p>Total Initial Estimate:</p> <p>\$6,420,496 net of all applicable taxes and charges</p> <p>\$7,255,161 including all applicable taxes and charges</p> <p>\$6,533,497 net of HST recoveries</p>	<p>Total Projected Increase:</p> <p>\$1,578,921 net of applicable taxes and charges</p> <p>\$1,784,181 including all applicable taxes and charges</p> <p>\$1,606,710 net of HST recoveries</p>	<p>Modified Total Contract Value:</p> <p>\$7,999,416 net of all applicable taxes and charges</p> <p>\$9,039,341 including all applicable taxes and charges</p> <p>\$8,140,206 net of HST recoveries</p>