

Non-competitive Contract with Altec Industries Limited for Proprietary OEM Parts and Services

Date: July 22, 2020
To: General Government and Licensing Committee
From: General Manager, Fleet Services Division; and
Chief Procurement Officer, Purchasing and Materials Management
Division
Wards: All

SUMMARY

The purpose of this report is to seek City Council authority for the General Manager, Fleet Services Division to negotiate and enter into a non-competitive contract with Altec Industries Limited, for the supply of all labour, parts, materials and equipment necessary to perform mechanical and structural safety inspections, repairs and certification on proprietary Original Equipment Manufacturer (OEM) vehicle mounted lifting devices on Altec equipment for the City of Toronto (City).

The contract will be for a period of one (1) year commencing on November 1, 2020 to October 31, 2021 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 potential contract amount of \$1,910,028 net of Harmonized Sales Tax (HST) (or \$1,943,644 net of HST recoveries), inclusive of all option years.

City Council approval is required in accordance with Toronto Municipal Code Chapter 195-Purchasing, where the current request exceeds the Chief Procurement Officer's authority of the cumulative five year commitment for each vendor, under Article 7, Section 7.3 (D) of the Purchasing By-Law or exceeds the threshold of \$500,000 net of Harmonized Sales Tax (HST) allowed under staff authority as per the Toronto Municipal Code, Chapter 71-Financial Control, Section 71-11A.

RECOMMENDATIONS

The General Manager, Fleet Services Division, and the Chief Procurement Officer, recommend that:

1. City Council grant authority to the General Manager, Fleet Services to negotiate and enter into a non-competitive contract with Altec Industries Limited, for the supply of all labour, parts, materials and equipment necessary to perform mechanical and structural safety inspections, repairs and certification for the City's OEM vehicle mounted lifting devices, based 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, 2020 to October 31, 2021 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 \$1,910,028 net of HST (\$1,943,644 net of HST recoveries) for the entire duration of the contract, inclusive of all option years;

b. The contract will be based on the condition that Altec Industries Limited continues to be the exclusive distributor for the proprietary OEM parts and specialized services for Altec equipment; and

c. On the terms and condition satisfactory to the General Manager, Fleet Services Division and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

The total potential cost to the City identified in this report, including all option years is \$2,158,332 including all taxes and charges or \$1,943,644 net of HST recoveries.

Funding in the amount of \$61,016 net of HST recoveries is available in the 2020 Council Approved Operating Budget for Fleet Services. Funding for the year 2021 will be referred to the City's annual budget process for Fleet Services.

Should the City choose to exercise the option to renew for an additional four (4) separate one (1) year periods, the appropriate additional funding will be referred to the City's annual budget process.

The amounts for the entire duration of the agreement reflect an estimated 3% annual increase in the Consumer Price Index.

Approved 2020 funding and estimated 2021-2025 funding, net of HST recoveries are provided in Table 1.

Table 1: Approved 2020 funding and projected 2021-2025 funding (net of HST recoveries)

Contract Term Cost Centre: FL100, Cost Elements: 2181, 4083, 4404	Net of HST Recoveries
Initial year period from November 1, 2020 to December 31, 2020	\$ 61,016
Initial year period from January 1, 2021 to October 31, 2021	\$ 305,079
Option year one (1) from November 1, 2021 to October 31, 2022	\$ 377,077
Option year two (2) from November 1, 2022 to October 31, 2023	\$ 388,389
Option year three (3) from November 1, 2023 to October 31, 2024	\$ 400,041
Option year four (4) from November 1, 2024 to October 31, 2025	\$ 412,042
Total contract term from November 1, 2020 to October 31, 2025	\$1,943,644

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

DECISION HISTORY

On January 15, 2015 Fleet Services Division issued a competitive Request for Quotation (RFQ) No. 6714-15-3013 for the supply of all labour, materials and equipment necessary to perform mechanical and structural safety inspections, repairs and certifications for various types of vehicle mounted lifting devices for the City of Toronto. The RFQ had separate price tables for each crane and aerial equipment manufacturer and awarded Altec Industries Limited. as one of four (4) successful bidders.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.BD23.8>

COMMENTS

The parts and specialized services for the equipment manufacturer 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.

The original equipment manufacturer has confirmed in writing that the parts and services for the equipment types identified in this report are proprietary to Altec Industries Limited - the sole supplier and dealer authorized to provide the services and products on all Altec brand aerial devices and cranes in North America.

This non-competitive contract includes the supply of all OEM labour, materials and equipment necessary to perform mechanical and structural safety inspections, repairs and certification as well as the provision of parts and warranty and non-warranty services on Altec crane and aerial 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.

The planned expenditures reflects expected scheduled maintenance cycle cost as per the latest Canadian Standards Association (CSA) Safety Codes on mobile cranes (Z150-11 and Z150), vehicle-mounted aerial devices (C225) and Ontario Regulation on elevating work platforms (O. Reg. 213) as well as manufacturer's recommendations.

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

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

CONTACT

David Tran, Manager, Fleet Contracts, Tel: (416) 338-7857
Email: David.Tran@toronto.ca

Jacquie Breen, Manager, Corporate Purchasing Policy & Quality Assurance,
Purchasing & Materials Management Division, Tel: (416) 392-0387
Email: Jacquie.Breen@toronto.ca

SIGNATURE

Lloyd Brierley
General Manager,
Fleet Services Division

Michael Pacholok,
Chief Procurement Officer
Purchasing & Materials Management Division