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TORONTO

REPORT FOR ACTION

Amendments to Non-Competitive Bridge Contracts for the Inspection, Maintenance & Repair of Heating, Ventilation & Air Conditioning (HVAC) Systems, Boilers, Water Chillers, and Cooling Towers

Date: November 16, 2020
To: General Government and Licensing Committee
From: Executive Director, Corporate Real Estate Management
General Manager, Parks, Forestry & Recreation
Chief Procurement Officer, Purchasing and Materials Management
Wards: All

SUMMARY

The purpose of this report is to seek authority for the Executive Director, Corporate Real Estate Management, and the General Manager, Parks, Forestry and Recreation, to amend eleven (11) non-competitive bridging blanket contracts to increase the contract values and to extend the contract expiry dates to May 31, 2021. The cumulative total increase in contract value is $3,950,000, net of Harmonized Sales Tax ($4,019,520 net of Harmonized Sales Tax Recoveries). This is required to ensure continuity of critical inspection and maintenance services related to Heating, Ventilation & Air Conditioning (HVAC) systems, boilers, water chillers, and cooling towers.

The Purchasing and Materials Management and Corporate Real Estate Management Divisions intended to issue a corporate procurement solicitation for these services earlier in the year, which was expected to have been awarded prior to the end of 2020. Due to demands associated with the response to COVID-19, this solicitation was delayed. Non-Competitive bridging contracts are being used to provide adequate time for the development and completion of a new competitive procurement reflective of industry best practice for this category, while at the same time ensuring continuity of critical services to maintain City property for City operations.

General Government and Licensing Committee approval is required in accordance with Municipal Code Chapter 195, Purchasing, where the current request exceeds the Chief Purchasing Officer's authority of the cumulative five year commitment limit 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 Harmonized Sales Tax allowed under staff authority as per the Toronto Municipal Code, Chapter 71, Financial Control, Section 71-11.1.

RECOMMENDATIONS

The Executive Director, Corporate Real Estate Management, the General Manager, Parks, Forestry, and Recreation, and the Chief Procurement Officer recommend that:

1. The General Government and Licensing Committee, in accordance with Section 71-11.1C of the City of Toronto Municipal Code Chapter 71 (Financial Control By-law), grant authority to the Executive Director, Corporate Real Estate Management to amend:

   a. Non-Competitive Bridging Blanket Contract number 47022674 to extend the expiry date to May 31, 2021 and add $480,000, net of Harmonized Sales Tax ($488,448 net of Harmonized Sales Tax Recoveries), to the contract thereby increasing the contract value from $800,000 to $1,280,000, net of Harmonized Sales Tax ($1,302,528 net of Harmonized Sales Tax Recoveries).

   b. Non-Competitive Bridging Blanket Contract number 47022686 to extend the expiry date to May 31, 2021, and add $660,000, net of Harmonized Sales Tax ($671,616 net of Harmonized Sales Tax Recoveries), to the contract thereby increasing the contract value from $1,000,000 to $1,660,000, net of Harmonized Sales Tax ($1,689,216 net of Harmonized Sales Tax recoveries).

   c. Non-Competitive Bridging Blanket Contract number 47022691 to extend the expiry date to May 31, 2021 and add $260,000, net of Harmonized Sales Tax ($264,576 net of Harmonized Sales Tax Recoveries), to the contract thereby increasing the contract value from $740,000 to $1,000,000, net of Harmonized Sales Tax ($1,017,600 net of Harmonized Sales Tax Recoveries).

   d. Non-Competitive Bridging Blanket Contract number 47022692 to extend the expiry date to May 31, 2021 and add $930,000, net of Harmonized Sales Tax ($946,368 net of Harmonized Sales Tax Recoveries), to the contract thereby increasing the contract value from $920,000 to $1,850,000, net of Harmonized Sales Tax ($1,882,560 net of Harmonized Sales Tax Recoveries).

   e. Non-Competitive Bridging Blanket Contract number 47023004 to extend the expiry date to May 31, 2021 and add $80,000, net of Harmonized Sales Tax ($81,408 net of Harmonized Sales Tax Recoveries), to the contract thereby increasing the contract value from $100,000 to $180,000, net of Harmonized Sales Tax ($183,168 net of Harmonized Sales Tax Recoveries).

   f. Non-Competitive Bridging Blanket Contract number 47023005 to extend the expiry date to May 31, 2021 and add $480,000, net of Harmonized Sales Tax ($488,448 net of Harmonized Sales Tax Recoveries), to the contract thereby increasing the contract value from $250,000 to $730,000, net of Harmonized Sales Tax ($742,848 net of Harmonized Sales Tax Recoveries).

   g. Blanket Contract number 47023006 to extend the expiry date to May 31, 2021 and add $290,000, net of Harmonized Sales Tax ($295,104 net of Harmonized Sales Tax Recoveries), to the contract thereby increasing the contract value from

$500,000 to $790,000, net of Harmonized Sales Tax ($803,904 net of Harmonized Sales Tax Recoveries).

h. Non-Competitive Bridging Blanket Contract number 47023007 and extend the expiry date to May 31, 2021 and add $150,000, net of Harmonized Sales Tax ($152,640 net of Harmonized Sales Tax recoveries), to the contract, thereby increasing the contract value from $250,000 to $400,000, net of Harmonized Sales Tax ($407,040 net of Harmonized Sales Tax Recoveries).

i. Non-Competitive Bridging Blanket Contract number 47023008 to extend the expiry date to May 31, 2021 and add $70,000, net of Harmonized Sales Tax ($71,232 net of Harmonized Sales Tax recoveries), to the contract, thereby increasing the contract value from $150,000 to $220,000, net of Harmonized Sales Tax ($223,872 net of Harmonized Sales Tax Recoveries).

j. Non-Competitive Bridging Blanket Contract number 47022532 to extend the expiry date to May 31, 2021 and add $300,000, net of Harmonized Sales Tax ($305,280 net of Harmonized Sales Tax Recoveries), to the contract thereby increasing the contract value from $600,000 to $900,000, net of Harmonized Sales Tax ($915,840 net of Harmonized Sales Tax Recoveries).

2. The General Government and Licensing Committee, in accordance with Section 71-11.1C of the City of Toronto Municipal Code Chapter 71 (Financial Control By-law), grant authority to the General Manager, Parks, Forestry, and Recreation to amend Non-Competitive Bridging Blanket Contract number 47022631 to extend the expiry date to May 31, 2021 and add $250,000, net of Harmonized Sales Tax ($254,400 net of Harmonized Sales Tax Recoveries), to the contract thereby increasing the contract value from $550,000 to $800,000, net of Harmonized Sales Tax ($814,080 net of Harmonized Sales Tax Recoveries).

3. The General Government and Licensing Committee, in accordance with Section 71-11.1C of the City of Toronto Municipal Code Chapter 71 (Financial Control By-law), grant authority to authorize the Executive Director, Corporate Real Estate Management and the General Manager, Parks, Forestry, and Recreation to enter into new or amend existing agreements, as required, to implement the authority granted in Recommendations 1 and 2.

FINANCIAL IMPACT

The cumulative value of the contract amendments identified in this report is $3,950,000, net of Harmonized Sales Tax ($4,019,520 net of Harmonized Sales Tax recovery). The total contract value of the eleven (11) contracts will increase from $5,860,000 to $9,810,000 net of Harmonized Sales Tax ($9,982,656 net of Harmonized Sales Tax Recoveries):

Funding for the requested amendments to Corporate Real Estate Management's contracts noted in recommendation 1 will be referred to the City's annual budget process and will be included in the 2021 Operating Budget submission for the Division in Cost Centre FA100-30 under G/L Account 4424.

Funding for the requested amendment to Parks, Forestry and Recreation's contract noted in recommendation 2 will be referred to the City's annual budget process and will be included in the 2021 Operating Budget submission for the Division in Cost Centre PR020-30 and PR010-11 under G/L Account 4411.

The requested increase in value of all contracts are estimated based on historic usage to-date, represent upset limits and is to be utilized as required to meet service demands. This is inclusive of amounts required for increased and unknown service requests and calls, preventative maintenance, and State of Good Repair (SOGR) minor capital replacements, where applicable.

The Chief Financial Officer and Treasurer has been provided the financial impacts associated with this program for review as part of the 2021 budget process.

DECISION HISTORY

At its meeting held on August 26, 2015, item BD 44.9 Adopted, the Bid Committee granted authority to award Request for Quotation number 4305-15-5004 for the non-exclusive supply of labour, parts, and equipment for heating and ventilation and air conditioning in North District, Parks, Forestry and Recreation facilities.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.BD44.9

At its meeting held on July 22, 2015, item BD 38.2 Adopted, the Bid Committee granted authority to award Request for Quotation number 4304-14-5001 through multiple contracts for Corporate Real Estate Management's various Districts for the non-exclusive supply of all labour, materials, equipment, and supervision necessary for Boiler Preventative Maintenance & Service Calls at various locations within the City of Toronto.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.BD38.2

At its meeting held on March 11, 2015, item BD 16.5 Adopted, the Bid Committee granted authority to award Request for Quotation number 4305-14-5031 to multiple vendors for Corporate Real Estate Management's various Districts for the non-exclusive supply of all labour, materials, equipment, and supervision necessary to provide Inspections, Maintenance & Repairs to Heating, Ventilation & Air Conditioning Systems, Sheet Metal Fabrication & Installation at various locations within the City of Toronto.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.BD16.5

At its meeting held on January 21, 2015, item BD 8.8 Adopted, the Bid Committee granted authority to award Request for Quotation number 4305-14-5083 for the non-exclusive supply of all labour, materials, equipment, products, and supervision necessary for the maintenance of Water Chillers and Cooling Towers as and when required at various locations throughout the City of Toronto for Corporate Real Estate Management.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.BD8.8

Non-Competitive bridging contracts for HVAC services were originally issued in 2020 to allow for continuity of service until December 31, 2020 or January 31, 2020 as outlined in the recommendations in order to maintain these essential services until a multi-year competitive call could be issued and awarded.

COMMENTS

In late 2019, Corporate Real Estate Management and the Purchasing and Materials Management Division began to develop a Request for Proposal for Heating, Ventilation and Air Conditioning (HVAC) Services, with the objective of incorporating industry best practices and a standardized service model into the competitive call. The plan was to issue the solicitation in 2020 and award the contracts by the end of the year.

At the onset of the COVID-19 pandemic in March 2020, the Corporate Real Estate Management Division, along with the Purchasing and Materials Management and Parks Forestry & Recreation Divisions, had to shift focus and prioritized COVID-19 response efforts. Less urgent initiatives, including the HVAC procurement, were deprioritized to support pandemic response. This has led to the delay in the development of the new corporate competitive solicitation for HVAC services, and ultimately in the need to extend the existing non-competitive bridging contracts.

Non-Competitive Bridging contracts for HVAC services were originally issued in 2020, in compliance with Chapter 195 Purchasing By-law, to allow for continuity of service until a new call was issued and awarded by the end of 2020. It is in the City's best interest to amend these bridging contracts for the additional time and value to align with the revised timeline for release and award of the new corporate competitive solicitation for HVAC services. The incumbent vendors performing current services were the successful proponents of the 2015 competitive solicitations and are familiar with the properties and the required work to ensure continuity of service during this critical time. Furthermore, attempting to transition vendors or issue a short term competitive solicitation will result in further business disruption, and may not result in enhanced value to the City. Focusing on incorporating industry best practices and a standardized service model into a corporate competitive solicitation, and awarding a contract prior to May 31, 2021 will be the priority.

Status of upcoming corporate negotiable RFP (nRFP) for HVAC maintenance services

The Corporate Real Estate Management and Purchasing and Materials Management Divisions will release a negotiable RFP (nRFP) for HVAC maintenance that incorporates industry best practices and focuses on lowering the City's total cost of ownership for HVAC assets while improving service delivery. The nRFP will also:

- Standardize service delivery models
- Maximize value and lower the total cost of ownership to maintain city HVAC assets
- Improve supplier performance and monitoring measures

As part of this strategic approach, market sounding sessions with the vendor community were held to obtain valued insight into market trends and industry best practice for the HVAC maintenance services. An exercise to collect and compile an inventory of HVAC equipment was completed, thus reducing unknowns and mitigating risk, and enabling the suppliers to price our business more surely. In addition, the updated vendor requirements mandate the provision and use of a computerized maintenance management system to manage our HVAC assets and ensure service history and cost tracking per unit. Lastly, there will also be a requirement for the supplier to adopt geo-locating technology to capture time and attendance for each work event. Overall, the City is expected to realize value and service delivery enhancements based on what is being incorporated into the nRFP under development.

The nRFP is expected to be released in November 2020, with resulting contracts awarded in April-May 2021.

The Fair Wage Office has reported that all the vendors included in this report indicated that they have reviewed and understand the Fair Wage Policy and Labour Trades requirements at the commencement of the original bridge period and have agreed to comply fully with the City's Fair Wage Policy.

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SIGNATURE

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