



## **Award of Negotiated Request for Proposal Ariba Document Number 2305234907 to Various Suppliers for the Provision of Arboricultural Services at various City of Toronto locations.**

**Date:** May 4, 2021

**To:** City Council

**From:** City Manager, General Manager, Parks, Forestry and Recreation and the Chief Procurement Officer

**Wards:** All

### **SUMMARY**

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The purpose of this report is to advise on the results of Negotiated Request for Proposal (NRFP) Document Number 2305234907 for the provision of arboricultural services for various locations throughout the City of Toronto, and to request authority for the General Manager, Parks, Forestry and Recreation to enter into agreements with the top-ranked Proponents meeting the requirements set out in the NRFP.

The consolidated cost of awarding contracts to the five successful proponents over the award period of two (2) years to the City of Toronto is \$40,412,989 net of all taxes, or \$41,124,257 net of Harmonized Sales Tax recoveries. Details of the award are provided in the financial impact and comments sections.

This NRFP was developed as a strategic sourcing initiative by the Purchasing and Materials Management Division's Category Management and Strategic Sourcing (CMSS) unit and Urban Forestry's operations and contract management team. The requirements of the NRFP followed current industry best practices and incorporated the recommendations from the Auditor General's reports to facilitate better contract management. As a result of this sourcing initiative, the City will benefit from a variety of suppliers with different size of operations and capabilities, access to live GPS to improve accountability, and service level agreements to hold suppliers accountable in terms of contract requirements. Furthermore, the contract pricing after negotiations is 7% below the established baseline.

### **RECOMMENDATIONS**

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The City Manager, General Manager, Parks, Forestry and Recreation and the Chief Procurement Officer recommend that:

1. City Council grant authority to the General Manager, Parks, Forestry and Recreation to enter into, and execute an agreement with:

a. Ontario Line Clearing & Tree Experts Inc., for the provision of Forestry Operations, Bylaw Enforcement, Stumping/Fill & Seed by Ward Hourly, Stumping/Fill & Seed Unit Rate, & Newly Planted Tree Maintenance as defined in the Negotiated Request for Proposal (NRFP), document number 2305234907, for a period of two (2) years, in the amount of \$15,739,869 net all applicable taxes and charges (\$17,786,052 including HST and all applicable charges and \$16,016,891 net of HST recoveries), based on the terms and conditions set out in the NRFP that are in a form satisfactory to the General Manager, Parks, Forestry and Recreation and the City Solicitor;

b. W.M Weller Tree Service Ltd., for the provision of Forestry Operations, Bylaw Enforcement & Newly Planted Tree Maintenance as defined in the NRFP, for a period of two (2) years, in the amount of \$13,825,044 net all applicable taxes and charges (\$15,622,300 including HST and all applicable charges and \$14,068,365 net of HST recoveries) based on the terms and conditions set out in the NRFP that are in a form satisfactory to the General Manager, Parks, Forestry and the City Solicitor;

c. Davey Tree Expert Company of Canada for the provision of Area Street Tree Maintenance as defined in the NRFP, for a period of two (2) years, in the amount of \$5,078,851 net all applicable taxes and charges (\$5,739,101 including HST and all applicable charges and \$5,168,238 net of HST recoveries) based on the terms and conditions set out in the NRFP that are in a form satisfactory to the General Manager, Parks, Forestry and Recreation and the City Solicitor;

d. Asplundh Canada ULC for the provision of Forestry Operations as defined in the NRFP, for a period of two (2) years, in the amount of \$4,905,984 net all applicable taxes and charges (\$5,543,762 including HST and all applicable charges and \$4,992,329 net of HST recoveries) based on the terms and conditions set out in the NRFP that are in a form satisfactory to the General Manager, Parks, Forestry and Recreation and the City Solicitor; and

e. Tree Doctors for the provision of Stumping/Fill & Seed Unit rate as defined in the NRFP, for a period of two (2) years, in the amount of \$863,241 net all applicable taxes and charges (\$975,462 including HST and all applicable charges and \$878,434 net of HST recoveries) based on the terms and conditions set out in the NRFP that are in a form satisfactory to the General Manager, Parks, Forestry and Recreation and the City Solicitor.

## **FINANCIAL IMPACT**

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The total potential contract award amount to the five suppliers is \$40,412,989 net of all applicable taxes and charges, or \$41,124,257 net of Harmonized Sales Tax recoveries. While the overall annual costs to the City will remain relatively flat as compared to previous years, through strategic sourcing to award the new contracts for arboricultural services, the City is expected to realize \$1.66 million in annual cost avoidance and \$1.1 million value-added benefits during the term of the contract.

The contracts are expected to commence on July 1<sup>st</sup>, 2021. Funding for the provision of the arboriculture service contracts is available in the 2021 Council Approved Operating Budget for Parks, Forestry and Recreation (PFR). Any additional funding required for 2022 and 2023 to support the contracts will be presented for City Council consideration in the future Operating Budget submissions for PFR.

The breakdown by year and contract / supplier is summarized in Table 1 below.

Table 1: Total Contact Award Summary (net of Harmonized Sales Tax recoveries)

Supplier	Ontario Line Clearing & Tree Experts Inc.	W.M Weller Tree Service	Davey Tree Expert Co. of Canada, Limited	Asplundh Canada ULC	Tree Doctors	Total Award
Year 1 (July 1, 2021 - June 30, 2022)	\$8,008,445	\$7,034,182	\$2,584,119	\$2,496,165	\$439,217	\$20,562,129
Year 2 (July 1, 2022 - June 30, 2023)	\$8,008,445	\$7,034,182	\$2,584,119	\$2,496,165	\$439,217	\$20,562,129
<b>Total Award - July 1, 2021 to June 30, 2023</b>	\$16,016,891	\$14,068,365	\$5,168,238	\$4,992,329	\$878,434	\$41,124,257

### Cost Avoidance and Value Added Benefits

As a result of the strategic sourcing approach, and the accompanying NRFP process, the City is positioned to realize cost avoidance and benefits on base services throughout the contract term. The table below outlines the amount of cost avoidance by comparing the new contracts with a normalized baseline year.

Table: 2 Costs Avoided (net of Harmonized Sales Tax recoveries)

Year	Baseline	Total Award Net of HST Recovery	Estimated Cost Avoided

Year 1	\$ 22,217,294	\$ 20,562,129	\$ 1,655,165
Year 2	\$ 22,217,294	\$ 20,562,129	\$ 1,655,165
<b>Total Over Contract Term</b>	<b>\$ 44,434,587</b>	<b>\$ 41,124,257</b>	<b>\$ 3,310,330</b>

As outlined in Table 2 above, an annual cost avoidance of approximately \$1.66 million is expected when compared to the baseline costs.

The baseline costs are being calculated based on average hourly costs of year 2020 and estimated unit rate price schedules. In order to normalize the 2020 baseline spend to compare with 2021 the baseline was adjusted for the following:

- a price impact for Annual Consumer Price Index (CPI)
- increase in supervision, operational and administrative support by the supplier to ensure contract compliance and to address scope of work deliverables.
- removal of two (2), fifteen (15) minute breaks

Additionally, the City will benefit from scope enhancements within the NRFP that were not included in previous contracts which includes live GPS with enhanced reporting, requirement for geotagged photo and device requirements to support the City's Enterprise Work Management System (EWMS). These benefits and the additional cost to implement the Auditor General's recommendations are assumed to represent roughly a 5% cost increase over what was provided on previous contracts, resulting in approximately \$1.1 million value-added benefits per year.

Overall, the costs to the City over the next two (2) years will remain relatively flat as compared to the costs over the past few years. The City is expected to realize approximately \$3.3 million in costs avoided and \$2.2 million in value-added benefits over the contract term.

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

## **DECISION HISTORY**

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In May 2021, City Council adopted AU8.6 - Getting to the Root of the Issues: A Follow-Up to the 2019 Tree Maintenance Services Audit with amendments and directed that the award of contracts for forestry services be submitted to City Council for approval.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.AU8.6>

In February 2021, Audit Committee adopted AU8.6 - Getting to the Root of the Issues: A Follow-Up to the 2019 Tree Maintenance Services Audit which made a number of recommendations for Parks, Forestry and Recreation to address issues and concerns raised by the Auditor General with respect to Tree Maintenance Services contracts.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.AU8.6>

On July 28, 2020, City Council adopted IE14.8 - Ensuring Value for Money for Tree Maintenance Services - Update and Legal Advice.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IE14.8>

City Council, on May 14 and 15, 2019 adopted, as amended, AU2.4 - Review of Urban Forestry - Ensuring Value for Money for Tree Maintenance Services, which made a number of recommendations for Parks, Forestry and Recreation to address issues and concerns raised by the Auditor General with respect to Tree Maintenance Services contracts.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU2.4>

At its meeting of November 14, 2016, Government Management Committee received a report for information from the City Treasurer entitled Purchasing and Materials Management Review: Strategy for Category Management and Strategic Sourcing.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM16.5>

## COMMENTS

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### **Category Management and Strategic Sourcing**

The City's Purchasing and Materials Management Division introduced a Category Management and Strategic Sourcing approach in 2018 and 2019 to secure the best value for the City within various categories of spend.

Category management is a systemic and disciplined approach to procurement, of which strategic sourcing is a component. Strategic sourcing relies on the analysis of information about supplier markets, anticipated volumes and dollar value of purchases to leverage the City's purchasing power, and to find the best possible value in the marketplace to meet the City's requirements. Negotiation with suppliers and periodic assessments of supply transactions to understand what the City is receiving and how to maximize value for money are hallmarks of effective strategic sourcing, and are reflected in this procurement event.

### **Arboricultural Services NRFP sourcing strategy and Addressing the 2019 Auditor General's Report, "Ensuring Value for Money for Tree Maintenance Services"**

A team comprising of staff from the Purchasing and Materials Management Division, Urban Forestry, and Ernst and Young, with support from Legal Services, developed the NRFP for arboricultural services. This team relied on several different inputs to understand trends, challenges, innovation, including market soundings with

arboricultural services suppliers, with the ultimate aim of increasing value for money, improving productivity, and meeting the City's service expectations.

The design of the NRFP focused on the scope of work, evaluation and award criteria, pricing strategy and supplier proposals. Design of the scope of work considered quality and cost effectiveness throughout the term of the contract.

Unit rate contracts will be awarded by area and hourly rate contracts will be awarded by crew type as set out in the NRFP, the evaluation process and award strategy. This meant that suppliers could submit proposals for one or several areas (unit rate) or only on crew types they could supply (hourly rate), depending on their operational capacity. This strategy helped encourage participation from both small and large suppliers.

The City established a stage-based weighted evaluation criteria that considered a supplier's company profile, references, operational capabilities, quality control plan and pricing submission.

The NRFP offered the City and Proponents advantages such as multiple price schedules, consisting of both unit rate and hourly rate, which made bidding more accessible to additional suppliers in the marketplace. The NRFP structure allowed for evaluation of qualitative factors and for pricing to be negotiated to determine the highest scoring Proponent. Short-listed Proponents were provided the opportunity to negotiate through confidential meetings to ensure supplier's proposals are tailored to meet City's service expectations. In conventional Request for Quotations and Requests for Proposals, negotiations are limited or not permitted at all. The NRFP approach ensured that Service Level Agreements (SLAs) were established against which supplier's performance can be monitored on a regular basis.

Urban Forestry considered and included the recommendations outlined in the Auditor General's 2019 Report when developing the NRFP for Arboricultural Services and, where possible, additional changes to the NRFP were included as part of negotiations to address 2021 recommendations. Additional enhancements will be included in future procurements to meet the Auditor General's recommendations.

Prior to the issuance of the current NRFP and to support its development, Parks, Forestry & Recreation and Purchasing and Material Management Division conducted market soundings with seven suppliers in the industry to identify ways to improve delivery under the contracts and to increase the number of bids received. The market sounding helped inform:

- the length of contract that would help the companies retain their workforce;
- that unit rate pricing was seen as being more effective but that for some work, unit rate pricing may be difficult and so a hybrid of unit rates and hourly rates may work; and
- contracts based on geographical locations and discrete types of activities may be more attractive to increase the number of bids.

Improvements over the last Arboricultural Services procurement include:

- A new pricing structure around some maintenance activities, (such as proactive maintenance, stumping, newly planting trees) which made bidding more accessible to additional suppliers in the marketplace;
- Introduction of unit rate pricing for some maintenance activities which will reduce paying for supportive and non-productive time, including minimum productivity requirements (unit rate pricing reflects 19% of the total contract award vs 81% for hourly rate);
- Full access to live GPS systems with enhanced reporting, for hourly rate contracts, for further oversight;
- Roles and responsibilities outlining expectations of suppliers are clearly defined in the NRFP;
- Several qualitative factors, such as quality control plans, innovative/value-added services and risk mitigation strategies, were included in the scoring evaluation of bids.
- Fairness monitor was engaged to monitor and ensure the fairness in procurement process
- As per Audit Committee direction, suppliers are to pay for employee breaks.
- Inclusion of service level agreement with fee adjustments to address operation and service delivery deficiencies, when supplier is not able to fulfill the required crew compliments, provide satisfactory services and submit correct invoices within the time frame.

## **Procurement Process**

In the preparation of the NRFP, Parks, Forestry and Recreation retained a fairness monitor from Robinson Global Management Inc. to provide the following services:

- Oversee the NRFP process to ensure it is open, fair and transparent;
- Address concerns relating to accountability/fairness in the procurement process;
- Independent assurance of integrity of the procurement process via a signed attestation report for the NRFP;
- A final attestation report that may be included in any required staff report to Council on a particular procurement;
- A presentation of findings to City Council members, if required; and
- The provision of evidence and testifying in relation to any legal claim that may arise from the procurement process, if required.

The fairness monitor concluded that the NRFP process satisfied the principles of openness, fairness, consistency and transparency. The Fairness Monitor Report is included as Appendix 1.

## **Evaluation of Negotiated Request for Proposal (NRFP) Document Number 2305234907 Submissions**

The NRFP Document Number 2305234907 for the provision of Arboricultural service for various locations within the Parks, Forestry and Recreation Division was issued by the Purchasing and Materials Management Division on March 9, 2020 and made available

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to download electronically through the City's online electronic bidding system. In total, seven (7) addenda were issued. The closing date for the proposals was May 12, 2020. At the time of closing, proposals were received from the following six (6) Proponents:

- Asplundh Canada ULC
- Davey Tree Expert Co. of Canada, Limited
- Diamond Tree Care & Consulting Inc.
- Ontario Line Clearing & Tree Experts Inc.
- Tree Doctors Inc.
- W.M Weller Tree Service Ltd

A formal evaluation committee was established for the purpose of reviewing responses received from the six (6) Proponents. The proposals were evaluated in compliance with the criteria set out in the NRFP.

The evaluation process described in the NRFP consisted of four (4) stages and each of the proposals were evaluated against the criteria as follows:

Stage 1: Mandatory Submission Requirements

Stage 2: Rated Criteria Evaluation (Technical Evaluation)

Stage 3: Pricing Evaluation

Stage 4: Contract Negotiations

### **Stage 1: Mandatory Submission Requirements**

In accordance with the NRFP, each of the Proponents were required to submit responses to a list of mandatory requirements. As a result of this compliance review, all six (6) Proponents met the mandatory requirements and advanced to Stage 2 of the evaluation process.

### **Stage 2 - Rated Criteria Evaluation (Technical Evaluation)**

Each Proponent's Technical Proposal submissions were evaluated against non-price related criteria. This included a review and evaluation of the company profile, references, operational capabilities, and quality control plans, and each of the three (3) activities was scored out of 50 points. The activities included 1) Forestry Operations, By-law Enforcement and Area Street Tree Maintenance (ASTM), 2) Stumping, Fill and Seed and 3) Newly Planted Tree Maintenance. Out of the six (6) Proponents that were evaluated in this stage, the following met the minimum threshold score outlined in the NRFP – 70% (35 out of 50 points) - and advanced to Stage 3 – Pricing for each of the activities listed below.

<b>Proponent</b>	<b>Forestry Operations, By-law Enforcement and ASTM</b>	<b>Stumping, Fill and Seed</b>	<b>Newly Planted Tree Maintenance (NPT)</b>
Asplundh Canada ULC	Met threshold	Met threshold	Met threshold
Davey Tree Expert Co. of Canada, Limited	Met threshold	Did not meet threshold	Did not meet threshold
Diamond Tree Care & Consulting Inc.	Met threshold	Did not bid	Did not bid
OLC	Met threshold	Met threshold	Met threshold
Tree Doctors	Did not bid	Met threshold	Did not bid
W.M Weller Tree Service Ltd.	Met threshold	Met threshold	Met threshold

**Stage 3 – Pricing Evaluation**

In Stage 3 - Pricing Evaluation, the cost of services envelopes were opened for the six (6) Proponents. The lowest-priced Proponent's proposal received the highest score allocated for this stage and all other Proponent's Proposals were pro-rated against the highest scoring Proponent's Proposal accordingly. As there were no minimum thresholds for Stage 3 – Cost Evaluation, all six (6) Proponents proceeded to Stage 4: Contract Negotiations.

**Stage 4: Contract Negotiations**

Contract negotiations were held with all six (6) Proponents. As a direct result of these negotiations, the City was able to achieve:

- A negotiated unit rate reduction by utilizing the City's available resources. The team offered parking, supplies and loading of supplies to Proponents.
- An increase in some high volume and value hourly rate crews, where shortlisted top ranked suppliers offered competitive crew rates to bring additional value for the City.
- Enhanced live access to GPS and reporting requirements to align with the Audit Committee report.
- A reduction in pre-inspection hourly rates and one supplier offered 10 free site visits.
- A reduction in rental equipment mark-up.
- Suppliers are to pay for employee breaks.
- The original term of the contract 2 year base, with 3, 1 year options was reduced to a 2 year base contract term.

**Awarding the Contract for Arboricultural Services**

The terms and conditions of the NRFP process do not form a legally binding agreement until such time the agreement is fully executed after obtaining approval from City Council per AU8.6 Getting to the Root of the Issues: A Follow-Up to the 2019 Tree Maintenance Services Audit motion (10). As a result of this solicitation, City staff are seeking authority to award and enter into agreements with the recommended Proponents, Ontario Line Clearing & Tree Experts Inc., W.M Weller Tree Service Ltd, Asplundh Canada ULC, Tree Doctors and Davey Tree Expert Company of Canada.

This NRFP is being recommended to be awarded to the top-ranked Proponents meeting the requirements set out in the NRFP:

- Ontario Line Clearing & Tree Experts Inc. (Forestry Operations, Bylaw Enforcement, Stumping/Fill & Seed Hourly, Stumping/Fill & Seed Unit Rate, & Newly Planted Tree Maintenance as defined in the NRFP) – value of award for a period of two (2) years is \$15,739,869 net of all taxes and charges (\$16,016,891 net of Harmonized Sales Tax recoveries);
- W.M Weller Tree Service (Forestry Operations, Bylaw Enforcement & Newly Planted Tree Maintenance as defined in the NRFP) – value of award for a period of two (2) years is \$13,825,044 net of all taxes and charges (\$14,068,365 net of Harmonized Sales Tax recoveries);
- Davey Tree Expert Company of Canada (Area Street Tree Maintenance Unit rate) – value of award for a period of two (2) years is \$5,078,851 net of all taxes and charges (\$5,168,238 net of Harmonized Sales Tax recoveries);
- Asplundh Canada ULC (Forestry Operations as defined in the NRFP) – value of award for a period of two (2) years is \$4,905,984 net of all taxes and charges (\$4,992,329 net of Harmonized Sales Tax recoveries);
- Tree Doctors (Stumping/Fill & Seed Unit rate) – value of award for a period of two (2) years is \$863,241 net of all taxes and charges (\$878,434 net of Harmonized Sales Tax recoveries);

The total value of the award over the full term is \$40,412,989 net of all applicable taxes (\$41,124,257 net of Harmonized Sales Tax recoveries). The Proponent's scores and staff analysis of the evaluation results can be provided to Members of Council in an in-camera presentation if requested by Members of Council.

### **Fair Wage Office Review**

At the conclusion of the procurement process, the Fair Wage Office confirmed that the recommended Proponents indicated agreement to comply with the Fair Wage Policy.

### **Conclusion**

Through a collaborative effort, Parks, Forestry and Recreation and Purchasing and Materials Management developed a NRFP for Arboricultural Services that reflects industry best practices, while including recommendations from the Auditor General's reports on Arboricultural Services. Award of this NRFP will enable Parks, Forestry &

Recreation to address the Auditor General's recommendations by providing Parks, Forestry & Recreation with a more robust contract to manage the suppliers of arboricultural services as soon as possible. Further, this will provide Parks, Forestry & Recreation with additional information about future improvements to contracts moving forward. Once the new contracts are in place, Parks, Forestry & Recreation can deploy the additional contract management processes that also respond to the recommendations from the Auditor General.

## **CONTACT**

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## **SIGNATURE**

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Michael Pacholok  
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## **ATTACHMENTS**

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Appendix 1 – Fairness Monitor Report