REPORT FOR ACTION

Award of Negotiated Request for Proposal Ariba Document Number 2738470765 to Various Suppliers for the Provision of Heating Ventilation and Air Conditioning (HVAC) and Building Automation Systems (BAS) Maintenance Services at various City of Toronto locations

Date: September 15, 2021
To: General Government and Licensing Committee
From: General Manager, Parks Forestry & Recreation, General Manager, Children's Services, Executive Director, Corporate Real Estate Management, General Manager, Seniors Services and Long-Term Care, General Manager, Economic Development and Culture, Chief Operating Officer - Development & General Manager, Solid Waste Management Services, and Chief Procurement Officer
Wards: All

SUMMARY

The purpose of this report is to advise on the results of Negotiated Request for Proposal (nRFP) Document Number 2738470765 for the provision of HVAC and BAS maintenance services for various locations throughout the City of Toronto, and to request authority for the General Manager Parks Forestry & Recreation, General Manager, Children's Services, Executive Director, Corporate Real Estate Management, General Manager, Seniors Services and Long-Term Care, General Manager, Economic Development and Culture, Chief Operating Officer - Development & General Manager, Solid Waste Management Services to enter into agreements with the top-ranked Suppliers meeting the requirements set out in the nRFP.

The consolidated cost of all awarding contracts to the three successful Suppliers over the award period of three (3) years with two (2) option years of (1+1) to the City of Toronto is $40,362,972 net of all taxes and inclusive of all contingencies ($41,073,361 net of Harmonized Sales Tax recoveries).

This nRFP was developed as a strategic sourcing initiative led by the Purchasing and Materials Management Division's Category Management and Strategic Sourcing (CMSS) unit working with Parks Forestry & Recreation, Children's Services, Seniors

Services and Long-Term Care, Economic Development and Culture, Solid Waste Management Services, Corporate Real Estate Management's team and Toronto Parking Authority (TPA).

There are three components comprising this nRFP:

HVAC Maintenance Services
BAS Maintenance Services
HVAC Capital Replacement Roster

The third component of this nRFP (HVAC Capital Replacement) will allow the City to establish a Roster with six (6) pre-qualified Vendors for future HVAC Capital Replacement solicitations. It is anticipated that having a Capital Replacement Roster of qualified Suppliers ready to undertake the work will reduce the overall time for delivery of second stage procurement solicitations. The Capital Replacement Roster will have a contract term of three (3) years with an option to extend for two (2) additional one (1) year periods at the sole discretion of the City. The pre-qualified Suppliers will be eligible to bid on and be considered for the award of the Work Assignment Agreements by the City of Toronto during the Term of the Roster. The Roster with the six (6) following Suppliers is established and this statement is added to the Staff report for information purposes only.

Prequalified Suppliers for Roster for the HVAC Capital Equipment
- Ainsworth Inc.
- Ambient Mechanical Ltd
- Plan Group Inc.
- Regulvar Canada Inc
- Smith and Long
- Standard Mechanical Systems Limited

As a result of this sourcing initiative for HVAC and BAS maintenance services, the City will benefit from a standardized and flexible hybrid maintenance model comprising of both preventative and comprehensive maintenance services with standardized and competitive on-demand and ad-hoc rates across all participating City divisions and agency (TPA). The new contracts will bring enhanced and best in class reporting and maintenance system (Computerized Maintenance Management System (CMMS)) which enables real time reporting access to City's staff and facilitates the processes of scheduling maintenance, repair and replacement of equipment and assets. The improved reporting and tracking of service delivery will help the City to manage contracts and vendor performance effectively to ensure contract compliance. This is all expected to result in overall cost optimization and enhanced service levels.

Participating Agencies named in this report (Toronto Parking Authority (TPA) - Property Group B) will be seeking authority to award contract to Standard Mechanical Systems Limited for HVAC Maintenance Services from their individual Board and will manage the subsequent contracts independently from the City.

RECOMMENDATIONS

The General Manager, Parks Forestry & Recreation, General Manager, Children's Services, Executive Director, Corporate Real Estate Management, General Manager, Seniors Services and Long-Term Care, General Manager, Economic Development and Culture, Chief Operating Officer - Development & General Manager, Solid Waste Management Services, and the Chief Procurement Officer recommend that:

1. The General Government and Licensing Committee, in accordance with Section 195-8.4 of Toronto Municipal Code Chapter 195 (Purchasing By-Law), grant authority to the General Manager, Parks Forestry & Recreation, General Manager, Children's Services, Executive Director, Corporate Real Estate Management, General Manager, Economic Development and Culture, Chief Operating Officer - Development & General Manager, Solid Waste Management Services, to enter into, and execute an agreement with **Standard Mechanical Systems Limited** based on the terms and conditions set out in the nRFP document number 2738470765 and in a form satisfactory to the City Solicitor being the top-ranked Supplier meeting the requirements set out in the nRFP for Property Group A (Children Services, Parks Forestry and Recreation, Economic Development and Culture, Solid Waste Management Services), and Property Groups E and G (CREM) for the provision of HVAC maintenance services as defined in the nRFP for a period of three (3) years in the amount of $6,307,849 net of all taxes and charges and inclusive of all contingencies ($6,418,867 net of HST recoveries) with the option to renew the contract for two (2) additional separate one (1) year periods in the amount of $4,830,638 net of all taxes and charges and inclusive of all contingencies plus annual escalation adjustment of two (2) percent to account for CPI inflation adjustment ($4,915,657 net of Harmonized Sales Tax recoveries) for a total contract award including optional years of $11,138,487 net of all taxes and charges and inclusive of all contingencies ($11,334,524 net of Harmonized Sales Tax recoveries).

2. The General Government and Licensing Committee, in accordance with Section 195-8.4 of Toronto Municipal Code Chapter 195 (Purchasing By-Law), grant authority to the General Manager, Parks Forestry & Recreation, General Manager, Seniors Services and Long-Term Care, Executive Director, Corporate Real Estate Management, General Manager, General Manager, Economic Development and Culture, Chief Operating Officer - Development & General Manager, Solid Waste Management Services, to enter into, and execute an agreement with **Ainsworth Inc**. based on the terms and conditions set out in the nRFP document number 2738470765 being the top-ranked Supplier meeting the requirements set out in the nRFP for Property Group C (Seniors Services and Long-Term Care), and Property Groups D and F (CREM) for the provision of HVAC maintenance services and Property Group H (Parks Forestry and Recreation, Economic Development and Culture, Solid Waste Management Services) and Property Group I (CREM) for the provision of BAS maintenance services as defined in the nRFP for a period of three (3) years in the amount of $16,510,353 net of all taxes and charges and inclusive of all contingencies ($16,800,935 net of HST recoveries) with the option to renew the contract for two (2) additional separate one (1) year periods in the amount of $12,197,630 net of all taxes and charges and inclusive of all contingencies plus annual escalation adjustment of two (2) percent to account for CPI inflation adjustment ($12,412,308 net of Harmonized Sales Tax recoveries) for a total contract award

including optional years of $28,707,983 net of all taxes and charges and inclusive of all contingencies ($29,213,243 net of Harmonized Sales Tax recoveries).

3. The General Government and Licensing Committee, in accordance with Section 195-8.4 of Toronto Municipal Code Chapter 195 (Purchasing By-Law), grant authority to the General Manager, Parks Forestry & Recreation, Executive Director, Corporate Real Estate Management, to enter into, and execute an agreement with **Ambient Mechanical Ltd.** based on the terms and conditions set out in the nRFP document number 2738470765 being the top-ranked Supplier meeting the requirements set out in the nRFP for Property Group H (Parks Forestry and Recreation), and Property Group I (CREM) for the provision of BAS maintenance services as defined in the nRFP for a period of three (3) years in the amount of $306,203 net of all taxes and charges and inclusive of all contingencies ($311,592 net of HST recoveries) with the option to renew the contract for two (2) additional separate one (1) year periods in the amount of $210,300 net of all taxes and charges and inclusive of all contingencies plus annual escalation adjustment of two (2) percent to account for CPI inflation adjustment ($214,001 net of Harmonized Sales Tax recoveries) for a total contract award including optional years of $516,503 net of all taxes and charges and inclusive of all contingencies ($525,593 net of Harmonized Sales Tax recoveries).

FINANCIAL IMPACT

The total potential contract award amount to the three suppliers is $40,362,972 net of all applicable taxes and charges and inclusive of all contingencies ($41,073,360 net of HST recoveries) over the five (5) year contract term (inclusive of the option year and contingency).

The contracts are expected to commence October 1st, 2021. The total potential impact of the award value net of HST recoveries, including the contingency amount on the 2021 budget for three (3) months from October 1st, 2021 to December 31st, 2021 is:

1. Parks Forestry & Recreation (HVAC and BAS maintenance services): $142,331
2. Children's Services (HVAC maintenance services): $26,379
3. Corporate Real Estate Management (HVAC and BAS maintenance services): $1,482,478
4. Seniors Services and Long-Term Care (HVAC and BAS maintenance services): $275,627
5. Economic Development and Culture (HVAC and BAS maintenance services): $20,682
6. Solid Waste Management Services (HVAC and BAS maintenance services): $13,468

The total consolidated amount for this nRFP / portfolio for 2021 is $1,960,964 net of HST recoveries including all charges and contingency amounts. There is no incremental budget impact and funding for the provision of HVAC and BAS maintenance services is available in the 2021 Council Approved Operating Budget for Parks Forestry & Recreation (PFR), Children's Services (CS), Corporate Real Estate

Management (CREM), Seniors Services and Long-Term Care (SSLTC), Economic Development and Culture (EDC) and Solid Waste Management Services (SWMS) for the properties included in the award.

Additional funding will be requested in the 2022-2026 Operating Budget submissions for PFR, CS, CREM, SSLTC, EDC and SWMS for the initial three-year contract term, and as required, for the two optional one year terms, for City Council consideration.

The breakdown by year and vendor is summarized in Table 1 below.

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

Supplier	Standard Mechanical Systems Limited	Ainsworth Inc	Ambient Mechanical Ltd.	Annual Total Award, Incl. Contingency
Year 1 (Oct 1,2021 - Sep 30, 2022)	$2,139,622	$5,600,312	$103,864	$7,843,798
Year 2 (Oct 1,2022 - Sep 30, 2023)	$2,139,622	$5,600,312	$103,864	$7,843,798
Year 3 (Oct 1, 2023 - Sep 30,2024)	$2,139,622	$5,600,312	$103,864	$7,843,798
Initial Term of Contract	$6,418,867	$16,800,935	$311,592	$23,531,394
Option Year 1 (Oct 1 2024 - Sep 30,2025)	$2,440,637	$6,138,662	$105,941	$8,685,240
Option Year 2 (Oct 1 2025 - Sep 30, 2026)	$2,475,020	$6,273,646	$108,060	$8,856,726
Total Award - Oct 1, 2021 to Sep 30, 2026	$11,334,524	$29,213,243	$525,593	$41,073,360

The above award values in contingencies of $ $1,504,294 for Standard Mechanical Systems, $ 2,326,847 for the HVAC contract for Ainsworth, $1,777,547 for the BAS contract for Ainsworth and $80,184 for the Ambient contract, for a total contingency included in the award of $5,688,872.

All contracts prices are fixed for the initial term (three years) and there will be no CPI increase. Included in option year 1 and 2, there is an annual price adjustment of 2 percent to account for CPI inflation adjustment.

Details of the financial impact by division including award by HVAC and BAS maintenance services and contingencies are provided in Appendix 1 - Divisional Financial Impact Summary by Supplier for the Contract Term.

Projected Financial Benefit - Cost Reduction and Cost Avoidance

As a result of the strategic sourcing approach, and the accompanying nRFP process, the City is positioned to realize cost reduction / avoidance on base services throughout the contract term. Table 2 and 3 below outlines these savings and value-added benefits. Note, the figures in tables 2 and 3 exclude contingencies and non-recoverable HST.

Table 2: Cost Reduction/Avoidance for HVAC Maintenance Services (award values are net of all taxes and charges and excluding contingencies)

Division	Baseline	Total Award (excluding contingency)	Estimated Cost Savings and Avoidance	Value Add/Scope Enhancement Benefits	Total Savings and Value Added Benefits
CS	$162,246	$ 82,952	$ 79,294	$ 19,470	$ 98,763
PFR	$246,271	$ 139,973	$ 106,298	$ 29,553	$ 135,851
EDC	$131,719	$ 49,879	$ 81,840	$ 15,806	$ 97,646
SWMS	$ 26,139	$ 18,791	$ 7,348	$ 3,137	$ 10,485
SSLTC	$ 700,740	$ 795,890	-$ 95,150	$ 84,089	-$ 11,062
CREM	$ 4,699,194	$ 4,329,059	$ 370,135	$ 563,903	$ 934,039
Year 1 total	**$ 5,966,309**	**$ 5,416,545**	**$ 549,764**	**$ 715,957**	**$ 1,265,721**
Year 2	$ 5,966,309	$ 5,416,545	$ 549,764	$ 715,957	$ 1,265,721
Year 3	$ 5,966,309	$ 5,416,545	$ 549,764	$ 715,957	$ 1,265,721
Option Year 1	$ 6,085,635	$ 5,524,875	$ 560,760	$ 730,276	$ 1,291,036
Option Year 2	$ 6,207,348	$ 5,635,373	$ 571,975	$ 744,882	$ 1,316,856
Total 5 Year Term	**$ 30,191,909**	**$ 27,409,882**	**$ 2,782,027**	**$ 3,623,029**	**$ 6,405,056**

In order to normalize spend on previous contracts to compare with year 1 of the proposed contracts, the baseline for all divisions, except CREM, was adjusted by a 2 percent escalation factor to account for expected inflation (CPI). For CREM's HVAC maintenance scope, the proposed award covers 339 properties, whereas previous service contracts had only covered 219 properties. The incremental 120 properties did not have any scheduled service maintenance and were only being serviced on an on-demand basis. To improve the overall maintenance of the City's HVAC asset base these additional properties were included in the scope of the proposed award. Therefore, the baseline for CREM had to be adjusted to account for the incremental properties in scope. Any cost savings referenced for CREM is in comparison to this modified baseline, which does not represent the actual spending for CREM on previous contracts. Therefore the estimated cost savings does not reflect actual budget reductions, as actual award values are increasing in comparison to previous contracts. These cost increases are accounted for in the 2021 budget and will be included for consideration in the 2022 and future operating budget submissions. However it is important to note the City will be receiving enhanced services and valued added benefits through this proposed contract award, as outlined in table 2 above. This will result in improved asset performance and likely reduced costs and failures over the long term.

Table 3: Value Added/Scope Enhancement Benefits for BAS Maintenance Services (award values are net of all taxes and charges and excluding contingencies)

Division	Baseline	Value Added/Scope Enhancement Benefits	Total Award (excluding contingency)	Net Value Added Benefits/Scope Enhancement Benefits
EDC	$ 6,310	$757	$ 15,159	-$8,092
LTCHS	$ 52,236	$6,268	$ 70,861	-$12,357
PFR	$ 196,820	$23,618	$ 255,602	-$35,164
SW	$ 26,887	$3,226	$ 23,560	$6,554
CREM	$ 779,837	$93,580	$ 785,154	$88,263
Year 1 total	**$ 1,062,090**	**$127,451**	**$ 1,150,336**	**$39,204**
Year 2	$ 1,062,090	$127,451	$ 1,150,336	$39,204
Year 3	$ 1,062,090	$127,451	$ 1,150,336	$39,204
Option Year 1	$ 1,083,332	$130,000	$ 1,173,343	$39,989
Option Year 2	$ 1,104,999	$132,600	$ 1,196,810	$40,788
Total 5 Year Term	**$ 5,374,601**	**$644,952**	**$ 5,821,163**	**$198,390**

The above table 3 baseline represents the basic hourly service, escalated by 2 percent to account for inflation (CPI). The proposed contract award includes a new scope of work that is enhanced and improves compliance to service delivery as per the OEM and service standards. In order to compare the baseline to the total award (excluding contingencies), the value of the enhanced scope and benefits should be added to the baseline. The net value added benefits / scope enhancements represents the true value add the City is receiving from this award of BAS maintenance services. The new service model will reduce the ad-hoc on demand spend and address the risk of equipment failure, resulting in additional positive benefits over the longer term.

Value-Added Benefits to be realized through the nRFP

Through these proposed awards, the City will benefit from value added, contract benefits and scope enhancements within the nRFP that were not included in previous contracts. These value added benefits represent an estimated 12 percent of the baseline values for HVAC and BAS services. These are described below:

-By proactively monitoring and addressing (fixing or replacing) components that are suspect, the FCA (Fixed Cost Agreement) model reduces overall costs and equipment downtime, volume and inconvenience or corrective action incidents and outages.

-Core Contract pricing predictability: 3-year fixed prices put onus on Suppliers to deliver and maintain efficient and quality service to offset increasing costs (i.e. labour/material). 5 percent estimated annual impacts including 2 percent CPI, 2 percent Material, 1 percent Union Labour Increases.

-Dedicated resources ensure optimal performance levels are achieved (Regional Operations Managers, Technical Field Staff, Program Managers, and Administration). 3 percent Estimated annual impact for a dedicated Program Team.

-Downtown Core Service Delivery Model Efficiencies & Savings: Dedicated Downtown Mobile Technicians not only decrease Carbon Footprint but also cost Burden (Vehicle, Parking, Gas) with savings passed on to the City. 4 percent Estimated annual impacts

-CMMS: Suppliers incurs all costs for development, maintenance with no licensing fees for City of Toronto users - Estimated 20K one time development cost, 18K estimated annual maintenance & licensing impacts for each Supplier engaged to provide the service with the total value of 76K per year.

-Customized Reporting (Performance & Financial), included in saving identified above for Dedicated Program Team.

-All Access (Reduced Cost, Improved Uptime, Transparency & Trust) , Estimated cost avoidance of 100K /year, real time visibility, instant approvals, customers to site, includes licensing

-Parts Delivery Service (Reduced Downtime) – estimated soft cost – uptime & comfort based:

-Time on site (Efficiency & Equipment Uptime)
-Reduction in Windshield Time
-Reduction in Repair Cost

-Inventory Management: The Suppliers will bear the cost of capturing and maintaining a complete Asset List and produce a five year Capital Plan.

Estimated initial one-time cost avoidance of 65K for initial data capture with 10K maintenance / year.
-Comprehensive QBR's (quarterly business review) to prove value and cost justification included in saving identified above for Dedicated Program Team.

-Reduced Administration: Reduction in the City of Toronto staff required to review and process thousands of work orders, invoices, and quotes. Currently the City pays approximately $8 to process each invoice. It will generate significant savings for the thousand invoices per year.

-Proactive troubleshooting, minor program changes or calibrations to optimize the system, provide energy efficiencies, and take care of minor graphic changes.

-Continuous Mentoring for City of Toronto Building Operators (Building Systems Best Practice procedures). Training and education initiatives, demonstrate opportunities for operator intervention to mitigate impact of equipment downtime.

-Identify and demonstrate continuous improvement initiatives that could lead to energy savings and improved client comfort and equipment performance.

-Respond to Operators text/calls, support them remotely, and or provide the direction (i.e. when to place a service call, emergencies, scheduling, general day to day findings and answering questions regarding system operation or functions or where they serve). Helping City of Toronto staff investigating noncontract scope related issue, proactively stopping into sites during off hours to ensure recent repairs to critical issues i.e. ac or heating are holding.

-Comfort Air balancing with an estimated annual impacts of $8,000.

-General housekeeping items including cleaning drains in boiler rooms and on roofs & Leaving work areas better than when found it. Extra time cleaning, removing unnecessary garbage from mechanical rooms etc. Estimated annual impacts $2,000-$3,000.

-Good faith concessions made to replace vs. continued repair equipment at no extra charge for some equipment not covered under the contract. Estimated annual impact of $5,000-$10,000.

Overall, the total projected financial benefits for the contract term, including option years, is $6,405,056 for HVAC Maintenance as shown in Table 2, and $198,390 for BAS Maintenance as shown in Table 3 for a total of $6,603,446 net of all applicable taxes and charges, and excluding contingencies.

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

DECISION HISTORY

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. A copy of the Decision Document can be found at:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM16.5

COMMENTS

Background

The existing contracts for delivery of HVAC and BAS maintenance services consists of over 30 contracts with over 10 Suppliers. These contracts and its predecessors were tendered as Request for Quotations (RFQs) whereby the successful Suppliers was determined solely based on lowest price.

In the past, HVAC maintenance services were sourced individually by divisions which resulted in lack of standardization and well managed preventive maintenance program across the City's divisions, the current PM services are provided with a combination of fixed maintenance cost and on a time and material basis when needed. Furthermore, divisions issued separate solicitations for HVAC and BAS maintenance services which lowered City's buying power.

This resulted in the need to amend the procurement strategy for the maintenance and capital components. City of Toronto's Category Management and Corporate Real Estate Management teams identified the HVAC and BAS maintenance services as one of the critical services that requires significant improvements/enhancements in the following areas:

-Quality of service
-Scope of Work
-Compliance
-Reporting
-Contract Management
-Suppliers Performance Management
-Asset/Inventory Management
-Capital Planning

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.

Strategic Sourcing for HVAC and BAS Maintenance Services & HVAC Capital Replacement Roster

A team comprising of staff from the Purchasing and Materials Management Division, Parks Forestry & Recreation, Children's Services, Seniors Services and Long-Term Care, Economic Development and Culture, Solid Waste Management Services, Corporate Real Estate Management's team and Toronto Parking Authority (TPA) with support from Legal Services, developed the nRFP. The team utilized several different inputs to understand trends, challenges, innovation, including market research through suppliers with the goal of increasing value for money, improving productivity, and meeting the City's service expectations.

A proper designed and delivered HVAC maintenance program maintains equipment performing at optimum levels which results in higher equipment uptime with fewer repairs needed and extends equipment life and reduces associated energy costs. Effective maintenance can reduce the cost of energy consumed to operate HVAC equipment by 5-40 percent.
https://aceee.org/files/proceedings/1996/data/papers/SS96_Panel5_Paper08.pdf

The main components of the strategy that led to the benefits of this procurement explained below were:

1) Consolidating HVAC and BAS maintenance work and separate City's HVAC services into property groups by geographical regions for CREM properties and by divisions for the remaining divisions. Due to the nature of BAS programming and proprietary service suppliers, this component was designed to be awarded by BAS type however properties overall were divided into two property groups (property group I for CREM and property group H for the remaining divisions). Awarding by property group for HVAC services and by BAS type for BAS services meant that Suppliers could submit proposals for one or more property groups & BAS types, depending on their operational capacity, thereby helping encourage participation from both local (small vendors) that are not operationally capable of providing services to the entire portfolio, as well as national vendors that have that capability.

2) Improving quality of service delivered to divisions by standardizing scope of service across portfolios with site specific requirements to mitigate risk of equipment failure. Furthermore, City right sized the scope by providing equipment type and list in the nRFP package to the vendors. The equipment list and information was obtained from the existing service providers, divisional operational teams and CREM's asset management team. With implementing this strategy in the nRFP, City set the

expectations to the Suppliers for developing and implementing an enhanced asset management strategy during the term of new contracts.

3) Utilizing a Negotiated Request for Proposal (nRFP): In conventional Request for Quotations (RFQs) and RFPs, there is limited flexibility to engage with Suppliers in a collaborative way during the procurement process. As such, the City utilized a nRFP in order to: (i) develop an opportunity to recognize the Supplier's difference in quality of service delivery through technical proposal evaluations; and (ii) facilitate engagement with Suppliers in a collaborative way during procurement process through concurrent negotiations (presentation of their proposal) & direct Negotiations with the highest scoring Suppliers for HVAC and BAS maintenance services. Short-listed Suppliers were provided the opportunity to discuss and provide clarity on their proposal to address City's site-specific requirements and scope of service.

4) Creating a HVAC Capital Replacement Roster for prequalified Suppliers based on the evaluation of Supplier qualifications and technical proposals. Having a roster with the prequalified Suppliers will ensure second stage procurement solicitations are executed with expeditiously who met the technical requirements of the City. This will also avoid interrupting the required maintenance and emergency services work with capital work being separated from the maintenance and emergency services contracts. The City also found benefit in consolidating all three parts (HVAC and BAS Maintenance Services & the HVAC Capital Replacement Roster) into one nRFP to reduce City staff time and efforts so it may be used in other urgent City needs.

5) Ensuring that Service Level Agreements (SLAs) were established to monitor a vendor's performance on a regular basis.

Procurement Process

The nRFP Document Number 2738470765 for the provision of HVAC & BAS Maintenance Services and Prequalification for Roster for the HVAC Capital Equipment for various locations within the Parks Forestry & Recreation, Children's Services, Seniors Services and Long-Term Care, Economic Development and Culture, Solid Waste Management Services, Corporate Real Estate Management's team and Toronto Parking Authority (TPA) was issued by the Purchasing and Materials Management Division on December 11, 2021 and made available to download electronically through the City's online electronic bidding system. In total, six (6) addenda were issued.

The nRFP identified two separate scopes of work: one of the scopes of work was for the HVAC and BAS Maintenance Services and one scope of work was for the Capital Replacement Roster. Suppliers were invited to bid on all or any of the three scopes of work demonstrating their ability to meet or exceed experiential and technical requirements while offering high quality service.

The closing date for the proposals was January 27, 2021. At the time of closing, proposals were received from the following Suppliers for each nRFP component:

HVAC Maintenance Services:

- Ainsworth Inc.
- Ambient Mechanical Ltd
- Plan Group Inc.
- Dunlis Mechanical Services Ltd
- Smith and Long Limited
- Standard Mechanical Systems Limited

BAS Maintenance Services:
- Ainsworth Inc.
- Ambient Mechanical Ltd
- Plan Group Inc.
- Advanced Energy Management Ltd
- Regulvar Canada Inc

Prequalification for Roster for the HVAC Capital Equipment
- Ainsworth Inc.
- Ambient Mechanical Ltd
- Plan Group Inc.
- Regulvar Canada Inc
- Smith and Long
- Standard Mechanical Systems Limited
- Vanguard

Three formal evaluation committees was established for the purpose of reviewing responses received for each nRFP component. The proposals were evaluated in compliance with the criteria set out in the nRFP. The proposals were evaluated in compliance with the criteria set out in the nRFP and were evaluated separately for each of the three (3) components.

The evaluation process described in the nRFP consisted of five (5) stages for HVAC and BAS maintenance Services and four (4) stages for HVAC Capital Replacement Roster. Since this Staff Report is for HVAC and BAS Maintenance Services award, only HVAC and BAS Maintenance Services evaluation stages will be demonstrated in detail in this report.

HVAC and BAS Maintenance Services- Stages of Evaluation:
Stage 1: Mandatory Submission Requirements
Stage 2: Technical Proposal Evaluation
Stage 3: Pricing Evaluation
Stage 4: Concurrent Negotiations and BAFO
Stage 5: Contract Negotiations

HVAC Capital Replacement Roster- Stages of Evaluation:
Stage 1: Mandatory Submission Requirements
Stage 2: Technical Proposal Evaluation
Stage 3: Pricing Proposal Evaluation & Ranking
Stage 4: Concurrent Negotiations and BAFO

HVAC and BAS Maintenance Services- Stages of Evaluation and Results

Stage 1: Mandatory Submission Requirements

- In accordance with the nRFP, each of the Suppliers were required to submit responses to a list of mandatory requirements. As a result of this compliance review, all six (6) Suppliers for HVAC maintenance and five (5) Suppliers for BAS maintenance met the mandatory requirements and advanced to Stage 2 of the evaluation process.

Stage 2 - Technical Proposal Evaluation

In Stage 2, which is worth 50 percent of the overall total score, each of the Suppliers were to be evaluated by an evaluation team, against non-price related criteria for each HVAC and BAS maintenance services. During technical evaluation reference checks were conducted by contacting external and internal account lists which were provided by the Suppliers. 10 points were allocated to experience and qualifications in stage 2. Only Suppliers that achieved the minimum score threshold of 75 percent (37.5 out of 50) in addition to the minimum requirements of all individual evaluation criteria, would proceed to Stage 3 - Pricing Proposal Evaluation. Following Suppliers met the minimum threshold and advanced to Stage 3 – Pricing Evaluation. These Suppliers were:

HVAC Maintenance Services:
- Ainsworth Inc.
- Plan Group Inc.
- Smith and Long Limited
- Standard Mechanical Systems Limited

BAS Maintenance Services:
- Ainsworth Inc.
- Ambient Mechanical Ltd
- Plan Group Inc.
- Regulvar Canada Inc

Stage 3 – Pricing Evaluation

In Stage 3 - Pricing Evaluation, the cost of services envelopes were opened for the Suppliers who met the technical minimum scores threshold. In this Stage, which was worth 50 percent of the overall total proposal scores, the price evaluation was conducted in accordance with the methodology set out in the nRFP for HVAC and BAS maintenance services. After completion of Stage 3, all scores from Stage 2 and Stage 3 were added together. Based on evaluation criteria set for Stage 4, City invited up to top five (5) highest scored Suppliers by each property group for HVAC maintenance services and by each BAS type for BAS maintenance services. Following Suppliers were invited to proceed to Stage 4: Concurrent Negotiations and BAFO.

HVAC Maintenance Services:

- Ainsworth Inc.
- Plan Group Inc.
- Smith and Long Limited
- Standard Mechanical Systems Limited

BAS Maintenance Services:

- Ainsworth Inc.
- Ambient Mechanical Ltd
- Plan Group Inc.
- Regulvar Canada Inc

Stage 4: Concurrent Negotiations and BAFO (Best and Final Offer)

A single presentation session was held with each of the Suppliers listed above. During the presentation sessions, short listed Suppliers demonstrated and presented their proposed innovative solution to the City. Based on the feedback during presentations and clarifications provided by the City, each Supplier was invited to revise their initial proposal and submit BAFO (Best and Final Offer). Each BAFO was evaluated against the rated criteria set out under in the nRFP. The following Suppliers were identified as the top ranked Supplier for each property group for HVAC maintenance services and each BAS type for BAS maintenance services based on their BAFO submission and score to and therefore proceeded to Stage 5 Contract Negotiations.

HVAC Maintenance Services:

- Ainsworth Inc.
- Standard Mechanical Systems Limited

BAS Maintenance Services:

- Ainsworth Inc.
- Ambient Mechanical Ltd
- Plan Group Inc.

Upon receiving negotiation invitation letter and prior to the negotiations, Plan Group informed the City of their bid withdrawal for BAS maintenance services. Therefore, City proceeded with Ainsworth as the highest scored Supplier for the BAS types that Plan Group withdrew its bid for.

Stage 5: Contract Negotiations

Contract negotiations with Ainsworth Inc, Standard Mechanical Systems Limited and Ambient Mechanical Ltd. were conducted as set out in the solicitation. As a direct result of these negotiations, City was able to achieve:

- An overall 7% cost reduction in annual proposals by property group and BAS type from Suppliers' BAFO proposals.
- Lower ad-hoc rates for labour rates.
- A reduction in 3rd party material mark-up percent

- A reduction in adhoc preventative maintenance and comprehensive service rates by equipment, filter replacements and belt replacement. This will allow for cost containment on the base scope, as well as any future scope adjustments should additional sites be added to the contracts.

Awarding the Contract for HVAC and BAS Maintenance 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 the General Government and Licensing Committee to award the contract(s). As a result of this solicitation, City staff are seeking authority to award and enter into agreements with the recommended Suppliers, Ainsworth Inc, Standard Mechanical Systems Limited and Ambient Mechanical Ltd.

The top-ranked Suppliers meeting the requirements set out in the nRFP are being recommended to be awarded HVAC and BAS Maintenance Services, respectively, as follows:

Ainsworth Inc for the provisions of HVAC maintenance services for property groups C (Seniors Services and Long-Term Care) and D&F (Corporate Real Estate Management) and BAS maintenance services for property groups H (Parks Forestry & Recreation, Seniors Services and Long-Term Care, Economic Development and Culture, Solid Waste Management Services) and I (Corporate Real Estate Management) as defined in the nRFP - value of award for a period of 3 years plus two Option Years, including all contingencies is $28,707,983 net of all taxes and changes ($29,213,243 net of Harmonized Sales Tax Recoveries);

Standard Mechanical Systems Limited for the provision of HVAC maintenance services for property groups A (Parks Forestry & Recreation, Children's Services, Economic Development and Culture and Solid Waste Management Services), E&G (Corporate Real Estate Management) as defined in the nRFP - value of award for a period of 3 years plus two Option Years, including all contingencies is $11,138,486.65 net of all taxes and changes ($11,334,524.01 net of Harmonized Sales Tax Recoveries);

Ambient Mechanical Ltd for the provision of BAS maintenance services for property groups H (Parks Forestry & Recreation) and I (Corporate Real Estate Management) as defined in the nRFP - value of award for a period of 3 years plus two Option Years, including all contingencies is $516,502.88 net of all taxes and changes ($525,593.33 net of Harmonized Sales Tax Recoveries);

The total value of the award over the full term, including option years, is $40,362,972.27 net of all applicable taxes and including contingency ($41,073,360.58 net of Harmonized Sales Tax recoveries). This contingency will only be added to the contract values awarded to the vendors on an as-needed basis, and at the discretion of the City. For details of contingency amount by division, please refer to Appendix 1. The Supplier'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 Suppliers indicated agreement to comply with the Fair Wage Policy.

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Michael Pacholok
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ATTACHMENTS

Appendix 1 - Divisional Financial Impact Summary by Supplier for the Contract Term