

Non-Competitive Contracts with Alfa Laval Inc., Pro Aqua, Inc. and Veolia Water Technologies Canada Inc., for the Purchase of Proprietary Essential Parts for Maintenance of Process Equipment at Various Wastewater and Water Treatment Plants for Toronto Water

Date: March 2, 2022

To: Infrastructure and Environment Committee

From: General Manager, Toronto Water and Chief Procurement Officer, Purchasing and Materials Management Division

Wards: All

SUMMARY

The purpose of this report is to request authority for the General Manager, Toronto Water, to negotiate and enter into three (3) non-competitive contracts with each of Alfa Laval Inc., Pro Aqua, Inc., and Veolia Water Technologies Canada Inc. These contracts will be for the supply of proprietary parts and supplies required for the maintenance of City wastewater and water treatment process equipment installed at the various plants. The initial term of these contracts will be from the date the contracts are issued to March 31, 2023, with the option to renew for six (6) additional one (1) year periods, at the sole discretion of the City and subject to budget approvals, for the total amount of \$12,311,444, net of Harmonized Sales Tax (HST) (\$12,528,126 net of HST recoveries).

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, Non-competitive or Limited solicitations, Section 195-7.3(D) of the Purchasing By-law or exceeds the threshold of \$500,000 net of HST allowed under staff authority as per Toronto Municipal Code Chapter 71, Financial Control, Section 71-11A.

RECOMMENDATIONS

The General Manager, Toronto Water, and the Chief Procurement Officer recommend that:

1. City Council authorize the General Manager, Toronto Water, to negotiate and enter into a non-competitive contract with Alfa Laval Inc. (Alfa Laval) for the continued supply

of proprietary parts required for the maintenance of centrifuges installed at various City wastewater and water treatment plants, on the following terms and conditions:

a) The initial term of the contract be from the date the contract is issued to March 31, 2023, and include the option to renew for six (6) additional separate one (1) year periods, at the sole discretion of the City and subject to budget approvals, for the total amount over seven (7) years of \$5,346,254 net of HST (\$5,440,348 net of HST recoveries);

b) Alfa Laval continues to be the manufacturer or exclusive distributor of the parts; and,

c) conditional upon such other terms and conditions that are satisfactory to the General Manager, Toronto Water, and in a form satisfactory to the City Solicitor.

2. City Council authorize the General Manager, Toronto Water, to negotiate and enter into a non-competitive contract with Pro Aqua, Inc. (Pro Aqua) for the continued supply of proprietary parts required for the maintenance of equipment installed at various City wastewater treatment plants, on the following terms and conditions:

a) The initial term of the contract be from the date the contract is issued to March 31, 2023, and include the option to renew for six (6) additional separate one (1) year periods, at the sole discretion of the City and subject to budget approvals, for the total amount over seven (7) years of \$6,551,044 net of HST (\$6,666,342 net of HST recoveries);

b) Pro Aqua continues to be the exclusive distributor of the parts; and,

c) conditional upon such other terms and conditions that are satisfactory to the General Manager, Toronto Water and in a form satisfactory to the City Solicitor.

3. City Council authorize the General Manager, Toronto Water, to negotiate and enter into a non-competitive contract with the Veolia Water Technologies Canada Inc. (Veolia Water Technologies) for the continued supply of proprietary parts required for the maintenance of equipment installed at various City wastewater treatment plants, on the following terms and conditions:

a) The initial term of the contract be from the date the contract is issued to March 31, 2023, and include the option to renew for six (6) additional separate one (1) year periods, at the sole discretion of the City and subject to budget approvals, for the total amount over seven (7) years of \$414,146 net of HST (\$421,435 net of HST recoveries);

b) Veolia Water Technologies continues to be the manufacturer or exclusive distributor of the parts; and,

c) conditional upon such other terms and conditions that are satisfactory to the General Manager, Toronto Water, and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

The total estimated cost to the City of the three (3) non-competitive contracts, including the option years, if exercised by the City, is \$12,311,444 net of HST (\$12,528,126 net of HST recoveries).

Funding in the amount of \$1,226,250 net of HST recoveries for these contracts is included in the 2022 Approved Operating Budget for Toronto Water. Additional funding in the amount of \$408,750 net of HST recoveries will be included in the 2023 Operating Budget for Toronto Water. Should the City choose to exercise its option(s) to renew for an additional six (6) separate one (1) year periods, then appropriate additional funding will be included in the 2023-2029 annual Operating Budget Submissions for Toronto Water.

The cost calculations for the option years reflect an annual estimated 3% inflationary increase commencing in 2023.

Funding details with forecasted expenditures (net of HST recoveries) are provided in Table 1.

Table 1: Financial Impact Summary of Proprietary Contract

Forecasted Expenditures Operating Cost Centre(s) TW4036, TW4095, TW4100, TW4110, TW4075, TW7030, TW7045 Cost Element(s) 2120, 4403, 4416			
Year	Initial Contract Period Ending Mar 31 2023	Option Year Periods Apr 1 2023 to Mar 31 2029	Total (Net of HST Recoveries)
2022	\$1,226,250		\$1,226,250
2023	\$408,750	\$1,263,038	\$1,671,788
2024		\$1,721,941	\$1,721,941
2025		\$1,773,599	\$1,773,599
2026		\$1,826,807	\$1,826,807
2027		\$1,881,612	\$1,881,612
2028		\$1,938,060	\$1,938,060
2029		\$488,069	\$488,069
			\$12,528,126

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

DECISION HISTORY

At its meeting on April 25, 26 and 27, 2006, City Council, by its adoption without amendment of Works Committee Report 2, Clause 11, Request for Council Authority for the Purchase of Certain Sole-Sourced Essential Goods and Services Required by Toronto Water, authorized non-competitive contracts with Alfa Laval, Pro Aqua and other specified vendors for the purchase of specialized parts and related services for the period commencing April 1, 2006 until March 31, 2007, with the option to renew for three (3) additional one (1) year periods. The Council decision can be found here:

<https://www.toronto.ca/legdocs/2006/agendas/council/cc060425/cofa.pdf>

At its meeting on February 22 and 23, 2010, City Council, by its adoption of PW30.5, Sole Source Purchase of Essential Goods and Services for Toronto Water, granted the authority to enter into non-competitive contracts with Alfa Laval, Pro Aqua and other specified vendors for the purchase of maintenance, repairs and specialized parts for the period of April 1, 2010 to March 31, 2011, with the option to extend for five (5) additional one (1) year periods. The Council decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.PW30.5>

At its meeting on June 7, 8 and 9, 2016, City Council, by its adoption of PW13.4, Non-competitive Contracts with Alfa Laval Inc. and Pro Aqua Inc. for Proprietary Parts, Equipment, and Services at Various Water Treatment and Waste Water Facilities, granted the authority to enter into non-competitive agreements with Alfa Laval and Pro Aqua for the continued supply of proprietary parts, equipment and service from the date of contract issuance to March 31, 2017, and further, with the option to renew for additional five (5) separate one (1) year periods. The Council decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.PW13.4>

At its meeting on April 26, 27 and 28, 2017 City Council, granted the authority to enter into non-competitive agreements with Veolia Water Technologies, and other specified vendors, for the purchase of proprietary parts, equipment and services required at the City's various water treatment and wastewater facilities from date of contract issuance to December 31, 2017, with the option to renew for additional four (4) separate one (1) year periods. The Council decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.PW20.2>

COMMENTS

Toronto Water operates and maintains the City's water and wastewater treatment plants on a continuous basis. Proprietary parts are required to maintain process equipment at these plants and to ensure that water and wastewater plants are operated in a safe and efficient manner while ensuring full regulatory compliance. The purchase of these goods is essential for the delivery of services by Toronto Water.

Alfa Laval

Alfa Laval centrifuges are used for thickening or dewatering. Alfa Laval manufactures this equipment and is the only authorized distributor of their parts. In wastewater treatment facilities, dewatering of biosolids is a critical process to ensure operational performance and regulatory compliance and biosolids management. Ineffective or inefficient dewatering adversely affects the wastewater treatment process and can cause excessive odours. In addition, excessive solids in the plant can jeopardize the quality of the final effluent and could result in a violation of the facility's Environmental Compliance Approval.

In the City's water treatment plants, Alfa Laval centrifuges are also used to dewater the alum chemical and solids residual which is the waste by-product of the water treatment process at the plants.

Veolia Water Technologies

CONT-FLO® Bar Screens are used to remove rags and larger debris from the incoming sewer. Vortex Grit Chambers remove grit from wastewater prior to entry into the plant. These form the first stage of the wastewater treatment process and both serve as the primary means to protect downstream plant equipment. Veolia Water Technologies is the only authorized distributor of parts for these lines of equipment.

Pro Aqua

Pro Aqua is the sole distributor of parts for several lines of equipment required for the ongoing operation and maintenance of the Wastewater Treatment Plants.

Schwing Bioset pumps are used to convey dewatered biosolids. Dewatered biosolids are abrasive, and solids pumping is generally prone to mechanical fouling and requires progressively more aggressive maintenance as the equipment ages.

Huber Bar Screens are used to remove rags and debris from the incoming sewers in order to protect downstream equipment. HUBER Screenings Wash Press are used for the washing, dewatering and compaction of screenings.

Xylem Sanitaire Aeration System is used to aerate wastewater as the core component of the biological process the wastewater plants depend on. This equipment ensures process performance for treating and stabilizing wastewater.

Spaans Babcock Archimedean Screw Pumps are used during the return activated sludge process to move liquid from the bottom to the top.

Claro Big Bubble™ Mixers (mixers) are used in the anaerobic digesters. The mixers help break down sludge and reduce sludge disposal volumes while enhancing biogas production.

Atlas Copco Blowers and Compressors are used for aeration treatment to ensure enough oxygen is provided to the plant biological process.

Hallsten Aluminum Covers are used to cover the aeration tanks in two of the Wastewater Treatment Plant.

Evoqua Clarifiers remove suspended solids from wastewater, providing a clarified liquid effluent for downstream treatment processes.

Invent Anoxic Zone Mixers help remove biological nutrients from wastewater and improve treatment efficiency.

Pro Aqua is the sole authorized distributor in the Ontario for Schwing Bioset Pumps, Huber Bar Screen and Screenings Wash Press, Xylem Sanitaire Aeration System, Spaans Babcock Archimedean Screw Pump, Claro Big Bubble™ Mixers, Atlas Copco Blowers and Compressors, Evoqua Clarifiers and Invent Anoxic Zone Mixers as confirmed by the manufacturers of this equipment.

All the original process equipment was purchased through publically tendered construction projects or through a competitive solicitation and, in all cases, the applicable manufacturer warranty period and maintenance services have long since ended. As such, Toronto Water has had to acquire the necessary parts to service this equipment. Since these essential parts are proprietary, historically, as referenced in the Decision History section of this report, these parts have been purchased using the non-competitive contracts authorized by City Council. These contracts ensure that the proprietary parts are readily available for routine maintenance and repairs when needed thereby facilitating the safe and efficient operation of the City's water and wastewater plants and regulatory compliance. With access to these proprietary parts, staff routinely maintain the equipment beyond the manufacturer's anticipated lifespan thereby extending their useful life.

The recommended vendors have each provided pricing for the required parts and equipment and made representations indicating that competitive prices, comparable to those offered to other large government organizations, have been provided. Comparison with historic pricing suggests the City is receiving fair pricing from the vendors. Staff have reviewed the pricing for the parts and have determined that the pricing is fair and reasonable.

In the event that other suitably qualified vendors (approved by the manufacturers/distributors) are identified in the future, staff will follow all appropriate Purchasing By-Laws and procedures to ensure that a competitive process will be conducted for future requirements.

The Fair Wage Office has reported that all recommended vendors have reviewed and understand the Fair Wage Policy and Labour Trades requirements and each has agreed to comply fully.

CONTACT

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SIGNATURE

Lou Di Gironimo, General Manager, Toronto Water

Michael Pacholok, Chief Procurement Officer, Purchasing & Materials Management Division

ATTACHMENTS

Attachment 1 - Contract Breakdown by Vendor

Attachment 1: Contract Breakdown by Vendor

Net of HST Recoveries								
Vendor	Contract Issue Date	Option Years						Total (Including all Option Years)
	April 1 2022 - March 3, 2023	Option Year 1 April 1, 2023 March 31, 2024	Option Year 2 April 1, 2024 March 31, 2025	Option Year 3 April 1, 2025 March 31, 2026	Option Year 4 April 1, 2026 March 31, 2027	Option Year 5 April 1, 2027 March 31, 2028	Option Year 6 April 1, 2028 March 31, 2029	
Pro Aqua Inc.	\$ 870,000	\$ 896,100	\$ 922,983	\$ 950,672	\$ 979,193	\$ 1,008,568	\$ 1,038,825	\$ 6,666,342
Alfa Laval Inc.	\$ 710,000	\$ 731,300	\$ 753,239	\$ 775,836	\$ 799,111	\$ 823,085	\$ 847,777	\$ 5,440,348
Veolia Water Technologies Canada Inc.	\$ 55,000	\$ 56,650	\$ 58,350	\$ 60,100	\$ 61,903	\$ 63,760	\$ 65,673	\$ 421,435
Total Value:	\$ 1,635,000	\$ 1,684,050	\$ 1,734,572	\$ 1,786,609	\$ 1,840,207	\$ 1,895,413	\$ 1,952,276	\$ 12,528,126