

Amendment to Blanket Contracts 47023913 and 47023915 with Standard Mechanical Systems Limited for Heating Ventilation and Air Conditioning (H.V.A.C.) Maintenance and Repairs

Date: February 16, 2023

To: General Government Committee

From: Executive Director, Corporate Real Estate Management, General Manager, Parks, Forestry and Recreation, and Chief Procurement Officer, Purchasing and Materials Management

Wards: All

SUMMARY

The purpose of this report is to request authority from General Government Committee to amend blanket contract numbers 47023913 for Corporate Real Estate Management (C.R.E.M.) and 47023915 for Parks, Forestry and Recreation (P.F.R.), with Standard Mechanical Systems Limited. The request is to increase the current target value of two blanket contracts by a total of \$6,901,312 net of all applicable taxes and charges (\$7,022,775 net of Harmonized Sales Tax (H.S.T.) recoveries). This amendment is required to ensure the continuity of critical Heating, Ventilation, and Air Conditioning (H.V.A.C.) maintenance and repair services at City of Toronto properties.

The contract was awarded in 2021 as part of negotiated Request for Proposal Document Number 2738470765. In parallel, C.R.E.M. commenced an asset tagging initiative in City facilities to capture building equipment details that would be used to establish preventative maintenance plans. The asset tagging initiative was completed after the contract award, but provided the C.R.E.M. with an inventory of H.V.A.C. assets requiring repair and maintenance services, including assets not included in the initial contract award. Subsequently assets identified in the initiative are to be included in the current H.V.A.C. contract as an add service. In addition, higher than anticipated demand for critical H.V.A.C. maintenance has resulted in higher portions of the contracts being allocated to address unexpected repairs. As a result of the aforementioned reasons, an amendment is requested to ensure service continuity for the duration of the contract term.

General Government Committee approval is required in accordance with the Toronto Municipal Code, Chapter 71, Financial Control, Section 71-11.1C, where the current request exceeds the threshold of \$500,000 net of Harmonized Sales Tax.

RECOMMENDATIONS

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

1. The General Government Committee, in accordance with Section 71- 11.1C of the City of Toronto Municipal Code Chapter 71 (Financial Control By-law), authorize the amendment of blanket contract number 47023913 issued to Standard Mechanical Systems Limited, increasing the blanket contract value by \$5,601,312 net of all applicable taxes and charges (\$5,699,895 net of H.S.T. recoveries), and revising the current blanket contract value from \$5,019,345 net of all applicable taxes and charges (\$5,107,686 net of H.S.T. recoveries) to \$10,620,657 net of all applicable taxes and charges (\$10,807,581 net of H.S.T. recoveries).
2. The General Government Committee, in accordance with Section 71-11.1C of the City of Toronto Municipal Code Chapter 71 (Financial Control By-law), authorize the amendment of blanket contract number 47023915 issued to Standard Mechanical Systems Limited, increasing the blanket contract value by \$1,300,000 net of all applicable taxes and charges (\$1,322,880 net of H.S.T. recoveries), and revising the current blanket contract value from \$1,019,919 net of all applicable taxes and charges (\$1,037,870 net of H.S.T. recoveries) to \$2,319,919 net of all applicable taxes and charges (\$2,360,750 net of H.S.T. recoveries).

FINANCIAL IMPACT

The total estimated value of the contract amendments identified in this report is \$6,901,312 net of all applicable taxes and charges (\$7,022,775 net of H.S.T. recoveries).

Funding for the requested amendment to the contract is included in Corporate Real Estate Management's 2023 Approved Operating Budget, and Parks, Forestry and Recreation's 2023 Approved Operating Budget. Additional funding will be included in the 2024 Operating Submissions for Corporate Estate Management and Parks, Forestry & Recreation. Funding details are shown in Table 1 below.

Table 1: Financial Impact Summary (all values are net of H.S.T. recoveries)

Division, Contract, Cost Centre & GL Code	Blanket Contract Number	Cost Centre / Cost Element	2023	2024	Total
Corporate Real Estate Management	47023913	FA100-30, 4424	\$3,699,895	\$2,000,000	\$5,699,895
Parks, Forestry and Recreation	47023915	Various, 4411	\$755,931	\$566,949	\$1,322,880
Total			\$4,455,826	\$2,566,949	\$7,022,775

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

DECISION HISTORY

At its meeting of September 15, 2021 the General Government and Licencing Committee adopted item GL25.6 "Award of Negotiated Request for Proposal Ariba Document Number 2738470765 to Various Suppliers for the Provision of Heating Ventilation and Air Conditioning and Building Automation Systems Maintenance Services at various City of Toronto locations," granting authority to award the Negotiated Request for Proposal for the provision of Heating Ventilation and Air Conditioning and Building Automation Systems maintenance services for various City of Toronto locations.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.GL25.6>

COMMENTS

Contract Details

In 2021, Standard Mechanical Systems Limited was awarded blanket contract number 47023913 (C.R.E.M.) for a base term of three years at a value of \$5,019,345 net of all applicable taxes and charges (\$5,107,686 net of H.S.T. recoveries) and 47023915 (P.F.R.) for a base term of three years at a value of \$719,919 net of all applicable taxes and charges (\$732,590 net of H.S.T. recoveries) to provide H.V.A.C. preventative maintenance and repair services at various City locations. On July 27, 2022, the value of blanket contract number 47023915 was increased by \$300,000 net of all applicable taxes and charges (\$305,280 net of H.S.T. recoveries) from \$719,919 net of all

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applicable taxes and charges (\$732,590 net of H.S.T. recoveries) to \$1,019,919 net of all applicable taxes and charges (\$1,037,870 net of H.S.T. recoveries)

Previous to the award of this contract, these services were provided by ten suppliers split across thirty separate contracts. To align with industry best practices and standards, C.R.E.M., Purchasing and Materials Management, and various City divisions requiring these services co-developed a negotiated Request for Proposal (n.R.F.P.) focused on standardizing the scope of services across the portfolio. The approach also mitigated the risk of equipment failure and improved service expectations. In parallel, C.R.E.M. underwent an asset tagging initiative of relevant assets in its buildings to capture building component and equipment details, and to establish appropriate preventative maintenance plans for these assets. Due to the COVID-19 pandemic, the initiative experienced delays and was completed after the contract award.

The completion of the asset tagging initiative enabled C.R.E.M. to create a complete inventory of H.V.A.C. assets that require repair and maintenance services. These include those not captured in the original contract award. Data from the asset tagging initiative is now used to fully develop a preventative maintenance and repair program for H.V.A.C. assets within its buildings. Moreover, with better information on the type and quantity of H.V.A.C. assets in place, as well as maintenance plans, C.R.E.M. re-assessed the initial property allocation awarded to the service providers, and adjusted the allocation of the actual H.V.A.C. assets in place. This ensured that operational needs in City buildings are more efficiently met. In addition, a higher than expected demand for critical, urgent H.V.A.C. maintenance service across all contracts awarded through the n.R.F.P., resulted in a higher proportion of the contract allocated to address unexpected repairs. Consequently, C.R.E.M. seeks an amendment to include the complete asset inventory as an add service, and to account for future demand for critical maintenance and service continuity for the duration of the contract term.

Amendment Details

C.R.E.M. seeks General Government Committee authority to amend the two contracts in the amount of \$6,901,312 net of all applicable taxes and charges (\$7,022,775 net of H.S.T. recoveries), to ensure ongoing maintenance and repair of critical H.V.A.C. assets in City facilities. The request would increase the C.R.E.M. blanket contract number 47023913 by \$5,601,312 net of all applicable taxes and charges (\$5,699,895 net of H.S.T. recoveries), and the P.F.R. blanket contract number 47023915 by \$1,300,000 net of all applicable taxes and charges (\$1,322,880 net of H.S.T. recoveries).

Compliance with City Policies

The Fair Wage Office has reported that all the suppliers included in this report have reviewed and understood 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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