

Award of Negotiated Request for Proposal Ariba Document Number 3718447124 to Various Suppliers for the Provision of Arboricultural Services at various City of Toronto locations

Date: March 30, 2023

To: General Government Committee

From: General Manager, Parks, Forestry and Recreation, General Manager, Solid Waste Management Services and the Chief Procurement Officer

Wards: All

SUMMARY

The purpose of this report is to advise on the results of the Negotiated Request for Proposal (NRFP) Document Number 3718447124 for the provision of arboricultural services at various City of Toronto locations for use by the Parks, Forestry and Recreation and Solid Waste Management Services divisions as and when required, and to request authority to enter into legal agreements with the top-ranked suppliers, meeting the requirements set out in the NRFP. Existing contracts expire on June 30, 2023 and new contracts are required to continue the service.

The consolidated cost to the City of Toronto of awarding contracts to the four successful suppliers over the award period of 2.5 years, with an option to renew for an additional term of up to two additional one year periods is \$100,707,900.48 net of all taxes (\$102,480,359.53 net of Harmonized Sales Tax recoveries). All contract prices are fixed for 1.5 years, annual price adjustments for the Consumer Price Index will be applied to the remaining year of the initial term and for each option to renew as specified in the NRFP. The above costs are inclusive of these amounts including an adjustment of three per cent to account for Consumer Price Index for award purposes.

This NRFP is the second procurement for arboricultural services developed as a strategic sourcing initiative by Purchasing and Materials Management and Parks, Forestry and Recreation. As a result of this NRFP, the City will benefit from a hybrid pricing model comprising of both hourly and unit rate price schedules. Hourly rate price schedules include Forestry Operations, Forest Management, By-law and Solid Waste and unit rate price schedule for Area Street Tree Maintenance.

The contracts do not include an award for the unit rate stumping price schedules. These price schedules were cancelled since the City didn't receive a qualified proposal. A new procurement will be issued for the stumping services.

RECOMMENDATIONS

The General Manager, Parks, Forestry and Recreation, the General Manager, Solid Waste Management Services and the Chief Procurement Officer recommend that:

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

a. W.M Weller Tree Service Ltd., for the provision of arboricultural services related to the Forestry Operations and Forestry Management price schedules, for a period of 2.5 years, with an option to renew for an additional term of up to two additional one year periods, in the amount of \$58,121,216.34 net all applicable taxes and charges (\$65,676,974.46 including Harmonized Sales Tax and all applicable charges and \$59,144,149.75 net of Harmonized Sales Tax 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. All contract prices are fixed for 1.5 years and annual price adjustments, for Consumer Price Index will be applied to the remaining year of the initial term and for each option to renew as specified in the NRFP if such renewals are exercised. The above costs are inclusive of these amounts including an adjustment of three per cent to account for Consumer Price Index for award purposes.

b. Davey Tree Expert Co. of Canada, Limited, for the provision of Arboricultural Services related to the Forestry Operations, Area Street Tree Maintenance and By-law price schedules, for a period of 2.5 years, with an option to renew for an additional term of up to two additional one year periods, in the amount of \$21,978,129.96 net all applicable taxes and charges (\$24,835,286.85 including Harmonized Sales Tax and all applicable charges and \$22,364,945.05 net of Harmonized Sales Tax 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. All contract prices are fixed for 1.5 years and annual price adjustments, for Consumer Price Index will be applied to the remaining year of the initial term and for each option to renew as specified in the NRFP if such renewals are exercised. The above costs are inclusive of these amounts including an adjustment of three per cent to account for Consumer Price Index for award purposes.

c. Asplundh Canada ULC, for the provision of Arboricultural Services related to the Forestry Operations price schedule, for a period of 2.5 years, with an option to renew for an additional term of up to two additional one year periods, in the amount of \$11,019,038.10 net all applicable taxes and charges (\$12,451,513.05 including Harmonized Sales Tax and all applicable charges and \$11,212,973.17 net of Harmonized Sales Tax 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. All contract prices are fixed for 1.5 years and annual price adjustments, for Consumer Price Index will be applied to the remaining year of the initial term and for each option to renew as specified in the NRFP if such renewals are exercised. The above costs are inclusive of these amounts including an adjustment of three per cent to account for Consumer Price Index for award purposes.

d. Diamond Tree Care & Consulting Inc., for the provision of Arboricultural Services related to the Forestry Operations price schedule, for a period of 2.5 years, with an option to renew for an additional term of up to two additional one year periods, in the amount of \$9,147,123.53 net all applicable taxes and charges (\$10,336,249.59 including Harmonized Sales Tax and all applicable charges and \$9,308,112.91 net of Harmonized Sales Tax 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. All contract prices are fixed for 1.5 years and annual price adjustments, for Consumer Price Index will be applied to the remaining year of the initial term and for each option to renew as specified in the NRFP if such renewals are exercised. The above costs are inclusive of these amounts including an adjustment of three per cent to account for Consumer Price Index for award purposes.

2. The General Government Committee grant authority to the General Manager, Solid Waste to enter into, and execute an agreement with Davey Tree Expert Co. of Canada, Limited, for the provision of Arboricultural Services related to the Solid Waste price schedule, for a period of 2.5 years, with an option to renew for an additional term of up to two additional one year periods, in the amount of \$442,392.55 net all applicable taxes and charges (\$499,903.58 including Harmonized Sales Tax and all applicable charges and \$450,178.66 net of Harmonized Sales Tax recoveries) based on the terms and conditions set out in the NRFP that are in a form satisfactory to the General Manager, Solid Waste and the City Solicitor. All contract prices are fixed for 1.5 years and annual price adjustments, for Consumer Price Index will be applied to the remaining year of the initial term and for each option to renew as specified in the NRFP, if such renewals are exercised. The above costs are inclusive of these amounts including an adjustment of three per cent to account for Consumer Price Index for award purposes.

FINANCIAL IMPACT

The total potential contract award amount to the four suppliers is \$100,707,900.48 net of all applicable taxes and charges, or \$102,480,359.53 net of Harmonized Sales Tax (HST) recoveries over the 4.5 year contract term (inclusive of the options to renew).

The contracts are expected to commence on July 1, 2023 and funding for the provision of the arboricultural services contracts is available in the 2023 Council Approved Operating Budgets for Parks, Forestry and Recreation (PFR) & Solid Waste Management Services (SWMS) and additional funding will be included in their 2024-2025 Operating Budget Submissions. Funding is also available in the 2023-2032

Approved Capital Budget and Plan for SWMS. Should the City exercise the optional periods, additional funding will be included in their 2026-2027 Operating Budget Submissions.

The total potential impact of the award value, net of HST recoveries, on the 2023 budget, from July 1, 2023 to December 31, 2023 is \$10,828,086.05. Table 1 below provides a breakdown of the total contract award summary by division. The total contract award summary by supplier is provided in Attachment 1: Total Contract Award Summary by Supplier (net of Harmonized Sales Tax recoveries).

Table 1: Total Contract Award Summary by Division (net of Harmonized Sales Tax recoveries)

Timeframe	PFR (Activity Code: PR030-31 GL: 4409)	SWMS (Cost Centre: SW0853, SW0850, SW0851, SW0852, SW0854, SW0855, SW0856, SW0860, SW0862, GL: 4409 Capital Account: CSW930-01-01; CSW930-02-01, CSW930-03-01, CSW930-04-01)	Total
Initial Term July 1, 2023 - December 31, 2023	\$10,780,027.29	\$48,058.77	\$10,828,086.05
Initial Term January 1, 2024 - December 31, 2024	\$21,811,54.58	\$96,117.53	\$21,907,372.11
Initial Term January 1, 2025 - December 31, 2025	\$22,465,592.23	\$99,001.06	\$22,564,593.28
Total Initial Term	\$55,056,874.09	\$243,177.35	\$55,300,051.44
Option to Renew 1 January 1, 2026 - December 31, 2026	\$23,139,559.99	\$101,971.09	\$23,241,531.08
Option to Renew 2 January 1, 2027 - December 31, 2027	\$23,833,746.79	\$105,030.22	\$23,938,777.01

Timeframe	PFR (Activity Code: PR030-31 GL: 4409)	SWMS (Cost Centre: SW0853, SW0850, SW0851, SW0852, SW0854, SW0855, SW0856, SW0860, SW0862, GL: 4409 Capital Account: CSW930-01-01; CSW930-02-01, CSW930-03-01, CSW930-04-01)	Total
Total Award	\$102,030,180.87	\$450,178.66	\$102,480,359.53

All contract prices are fixed for 1.5 years and annual price adjustments, for Consumer Price Index (CPI) will be applied to the remaining year of the initial term and for each option year to renew as per NRFP terms. The above costs are inclusive of these amounts including an adjustment of three per cent to account for CPI for award purposes.

Cost Avoidance Benefits

As a result of the strategic sourcing approach, and the accompanying NRFP process, the City's spend is \$100,707,900.48 net of all taxes and charges over the 4.5 year contract term (inclusive of the options to renew). This results in an overall cost avoidance benefit of \$1.6 million, net of all applicable taxes and charges, or \$7.2 million over the 4.5 year term, achieved through negotiations.

In addition to the cost avoidance benefits, the City successfully negotiated volume discounts which would be applied based on the City's total spend thresholds by each contract. The per cent discount agreed upon with each supplier will be calculated based on City's total spend at the end of each year and will be credited to the City.

Contract values are higher than previously awarded contracts in 2021. That is due to supply chain challenges, higher labour and equipment cost, and ongoing global inflation over the last 1.5 years. The list below outlines some of the cost drivers based on market sounding and proposal submissions:

- Labour
- Equipment
- Insurance, Material, Overhead
- Fuel
- Scope enhancements including reporting, compliance, delivery, of services, SLA

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

DECISION HISTORY

At its meeting on July 19, 2022, City Council adopted IE31.7 Arboricultural Services Contract Terms which outlined the proposed details of this NRFP, including the contract terms being proposed for contracted Forestry services.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.IE31.7>

At its meeting on December 15, 2021, City Council adopted IE26.7 Tree Maintenance Contracts (July 2023) - Increasing Competition and Performance Measurement which provided an update on the structure of this NRFP with a view to increasing competition and performance measurement..

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IE26.7>

At its meeting on May 5, 2021, City Council adopted CC32.6 Award of Negotiated Request for Proposal Ariba Document 2305234907 to Various Suppliers for the Provision of Arboricultural Services at various City of Toronto locations, authorizing the existing contracts.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.CC32.6>

At its meeting on April 7, 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 which included recommendations to enhance contracts and contract oversight.

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

At its meeting on May 14, 2019, City Council adopted AU2.4 Review of Urban Forestry - Ensuring Value for Money for Tree Maintenance Services which included recommendations to enhance contracts and contract oversight.

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

COMMENTS

Background

The existing arboricultural services contracts were awarded in May 2021 as a result of the first strategic sourcing initiative for these services. Existing contracts expire on June 30, 2023 and new contracts are required to continue the service. Solid Waste Management Services is securing a separate contract through this NRFP to meet its arboricultural services needs to leverage this strategic sourcing initiative.

The procurement process aimed to increase competition with the objective of increasing the number of suppliers. An enhanced contract management structure is also in place to review and manage supplier performance that increases performance measurement and productivity. Increased performance measurement provides the information to

ensure services being delivered meet expectations, identify under-performance early to enable corrective actions and serves to improve communication and response time.

In continuation to a successful service delivery model, a team comprising of staff from the Purchasing and Materials Management Division (PMMD) and PFR, with support from Legal Services, developed a second NRFP for arboricultural services. This team relied on feedback from several internal and external stakeholders acquired through market sounding and engagement to understand market trends, service challenges, innovation and use of technology to inform the NRFP with the aim to increase value for money, improve productivity and quality of services in order to meet City's expectations.

Highlights of Strategic Sourcing for Arboricultural Services

Market Soundings

Prior to the issuance of the current NRFP and to support its development, PFR and PMMD conducted market soundings with seven suppliers in the industry to identify ways to engage with suppliers to share information and seek market feedback regarding the various procurement approaches, solicit input to consider alternative service delivery models, and provide participants with an understanding of the work and its unique characteristics. Of those seven suppliers, four did not currently have contracts with the City and only one of those four submitted a proposal for the current NRFP. The primary takeaways from the market soundings were as follows:

- The most common supplier challenges are labour costs, staffing and insufficient CPI increases.
- The preferred pricing/award structure is a mix of hourly rate and unit rate with an option for some seasonal work.
- The preferred timeframe to complete unit rate work is one to six months.
- The preferred geographical area for unit rate work is by region.
- The preferred contract term by the majority is three years with two years optional year renewal periods.

Contract Terms

The procurement process was aimed at continuous improvement of the overall arboricultural services contract, to increase the number of suppliers, enhance performance measurement, obtain competitive prices and continue to address the Auditor General recommendations outlined in the 2019 Auditor General's Report, *Ensuring Value for Money for Tree Maintenance Services* and in the 2021 Auditor General's Report, *Getting to the Root of the Issues: A Follow- Up to the 2019 Tree Maintenance Services Audit*.

A summary of the arboricultural services contract terms and conditions included in the NRFP, specified in the 2023 column, in comparison to the previous two procurements for arboricultural services is outlined in Attachment 2: Summary of Arboricultural Services Contracts Terms and Conditions.

Reference Check and Supplier Past Performance

The suppliers past performance were scored by contacting internal references (City contract manager) while evaluating supplier proposals for arboricultural services. Internal references included any work performed for the City of Toronto. If a supplier had a contract with the City within the last 10 years, for work that was similar to those bid on in the NRFP, a reference check was conducted through a survey questionnaire with the emphasis on quality of supplier's services, completed by the previous contract manager. In addition, external references were also contacted as per the evaluation criteria in the NRFP.

Procurement Process

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

- Address any concerns relating to accountability/fairness (monitoring the level of openness, transparency and competitiveness of the procurement process;
- Independent assurance of integrity of the procurement process via a signed attest statement for the RFP, as described below;
- Prepare a "Final Attest Report" for the City provided to Council as part of any required staff report on a particular procurement;
- Present report findings to City Council members, if required; and
- Provide evidence and testify in relation to any legal claim that may arise from the procurement process, when required.

The fairness monitor's primary role is to provide an assessment of the procurement process confirming that it has been carried out in an open, fair and transparent manner, in accordance with the NRFP.

The fairness monitor concluded that the NRFP process satisfied the principles of openness, fairness, consistency and transparency. The Fairness Monitor Report is included as Attachment 2.

Evaluation of NRFP Document Number 3718447124 Submissions

The NRFP Document Number 3718447124 for the provision of arboricultural services for various City of Toronto locations was issued by PMMD on October 28, 2022 and made available to download electronically through the City's online electronic bidding system. In total, six addenda were issued. The closing date for the proposals was December 12, 2022. At the time of closing, proposals were received from the following four suppliers:

Asplundh Canada ULC
Davey Tree Expert Co. of Canada, Limited
Diamond Tree Care & Consulting Inc.
W.M Weller Tree Service Ltd.

A formal evaluation committee was established for the purpose of reviewing responses received from the four suppliers. The proposals were evaluated in compliance with the criteria set out in the NRFP.

The evaluation process described in the NRFP consisted of four 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 and Rankings
- Stage 4: Contract Negotiations

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 four suppliers met the mandatory requirements and advanced to Stage 2 of the evaluation process.

Stage 2: Rated Criteria Evaluation (Technical Evaluation)

Each supplier'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. Technical evaluation reference checks were conducted by contacting external and internal references which were provided by the suppliers. Fifteen points were allocated to references in stage 2. The proposals were scored out of 70 points and required 70 per cent (49 out of 70) to pass.

Out of the four suppliers that were evaluated in this stage, the following met the minimum threshold and advanced to Stage 3 – Pricing, for each of the activities listed below in Table 2.

Table 2: Summary of Technical Evaluation Threshold

Proponent	Forestry Operations, By-law Enforcement and ASTM	Stumping, Fill and Seed
Asplundh Canada ULC	Met threshold	Did not bid
Davey Tree Expert Co. of Canada, Limited	Met threshold	Did not meet threshold
Diamond Tree Care & Consulting Inc.	Met threshold	Did not bid
W.M Weller Tree Service Ltd.	Met threshold	Did not bid

Stage 3: Pricing Evaluation

In Stage 3, the cost of services envelopes were opened for the four suppliers. The lowest-priced proposal received the highest score allocated for this stage and all other proposals received a pro-rated score against the lowest priced proposal accordingly. As there were no minimum thresholds for Stage 3, all four suppliers proceeded to Stage 4.

Stage 4: Contract Negotiations

The City met with each of the four top-ranked suppliers individually, for the purposes of entering into direct contract negotiations for their proposals. Negotiations were conducted on February 23, 2023, February 24, 2023 and March 9, 2023 and focused on various topics, including, but not limited to:

- A review and adjustment of proposed equipment and crew levels;
- Clarification of scope assumptions;
- Cost reduction for both hourly and unit rate schedules;
- Alignment on terms and conditions for proposed volume discounts; and
- Reduction of risk to both contractor and the City.

As a result of these negotiations, the City was able to achieve the following:

- Add additional crews where shortlisted top ranked suppliers offered competitive crew rates to meet the City's service requirement in order to mitigate the risk of service interruption across the City.
- An annual cost reduction of \$1.6 million, net of all applicable taxes and charges, from NRFP initial proposals or \$7.2 million over the 4.5 year term.
- Volume discounts: Multiple suppliers have offered volume discounts which would be applied based on the City's total spend thresholds by each contract.

Upon conclusion of negotiations, PFR staff reviewed and confirmed the final agreed upon proposal including pricing, terms and conditions.

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.

CONTACT

Nick Van Veen, Manager, Urban Forestry Operations, Parks, Forestry and Recreation Division, 416-396-7377, Nick.VanVeen@toronto.ca

Tanvir Ahmad, Sr Manager, Category Management & Strategic Sourcing, Purchasing and Materials Management, 416-990-7569, Tanvir.Ahmad@toronto.ca

SIGNATURE

Janie Romoff
General Manager, Parks, Forestry and Recreation

Matt Keliher
General Manager, Solid Waste Management Services

Genevieve Sharkey
Chief Procurement Officer, Purchasing and Materials Management Division

ATTACHMENTS

Attachment 1: Contract Award Summaries

Attachment 2: Summary of Arboricultural Services Contracts Terms and Conditions

Attachment 3: Fairness Monitor Report