

Award of Negotiated Request for Proposal Doc 36872270278 to Enterprise Rent-A-Car Canada Company for Supply of Various Rental Vehicles

Date: June 23, 2023

To: General Government Committee

From: General Manager, Fleet Services Division; and Chief Procurement Officer

Wards: All

SUMMARY

The purpose of this report is to advise on the results of Negotiated Request for Proposal (nRFP) Doc36872270278 for the non-exclusive supply and delivery of short-term rental services of various vehicle types on demand to conduct business and operations by various City divisions and to request authority for the General Manager, Fleet Services to enter into a contract with the highest ranked supplier meeting the requirements set out in the nRFP, Enterprise Rent-A-Car. The duration of the contract will be for a period of two (2) years from October 1, 2023 to September 30, 2025, with the option to renew the contract for four (4) additional two (2) year periods at the sole discretion of the General Manager, Fleet Services, and subject to annual Operating Budget approvals.

The total cost to the City of awarding this contract is \$7,527,132 net of HST recoveries (\$8,358,549 including all taxes and charges, \$7,396,946 net of HST) for the initial term of the contract and \$39,962,568 net of HST recoveries (\$44,376,673 including all taxes and charges, \$39,271,391 net of HST) for the full potential value of the contract, inclusive of all option renewal years.

As per the nRFP, all Agencies and Public Bodies within the Province of Ontario may Piggyback on this contract. Agencies and Public Bodies that Piggyback will receive approval from their Boards and manage the subsequent contracts independently from the City.

RECOMMENDATIONS

The General Manager, Fleet Services, and the Chief Purchasing Officer recommend that:

1. City Council, in accordance with Section 195-8.5(B) of Toronto Municipal Code Chapter 195 (Purchasing By-Law), grants authority to the General Manager, Fleet Services enter into an agreement with Enterprise Rent-A-Car Canada, the highest top-ranked supplier meeting the requirements set out in Negotiable Request for Proposal (NRFP) Doc36872270278 for the supply and delivery of short-term seasonal rental services of various vehicle types on demand. The initial term of the contract will be for a period of two (2) years, commencing on October 1, 2023 to September 30, 2025, with the option to renew the contract for four (4) additional two (2) year periods, for a total potential cost of \$39,962,568 net of HST recoveries (\$44,376,673 including all taxes and charges, \$39,271,391 net of HST) for the duration of the contract, inclusive of option renewal years, in accordance with terms and conditions as set out in the nRFP and any other terms and conditions satisfactory to the General Manager, Fleet Services, subject to annual Operating Budget approvals, and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

The total potential contract award amount inclusive of option years is \$39,962,568 net of HST recoveries (\$44,376,673 including all taxes and charges, \$39,271,391 net of HST) for the contract term.

Funding in the amount of \$940,892 net of HST recoveries is included in the 2023 Approved Operating Budget for Fleet Services Division. Funding in the amount of \$3,763,566 net of HST recoveries will be included in the 2024 Operating Budget Submission for Fleet Services Division. Funding in the amount of \$2,822,675 net of HST recoveries for the balance of the contract period to September 30, 2025, will be included in the 2025 Operating Budget Submission for Fleet Services Division.

Should the City choose to exercise its option to renew for an additional four (4) separate two (2) year periods, then appropriate funding, if needed, will be included in the 2025-2033 annual Operating Budget Submissions for each participating division. Funding details are provided in the tables below.

Table 1: Financial Impact Summary, net of HST Recoveries

Term	Budget Year GL: 4510 CC: FL7003	Total (net of HST recoveries)
Initial Term	October 1, 2023, to December 31, 2023	\$940,892
	January 1, 2024, to December 31, 2024	\$3,763,566
	January 1, 2025, to September 30, 2025	\$2,822,674
Option Term 1	October 1, 2025, to December 31, 2025	\$969,118
	January 1, 2026, to December 30, 2026	\$3,876,473

Term	Budget Year GL: 4510 CC: FL7003	Total (net of HST recoveries)
	January 1, 2027, to September 30, 2027	\$2,907,355
Option Term 2	October 1, 2027, to December 31, 2027	\$998,192
	January 1, 2028, to December 30, 2028	\$3,992,768
	January 1, 2029, to September 30, 2029	\$2,994,575
Option Term 3	October 1, 2029, to December 31, 2029	\$1,028,138
	January 1, 2030, to December 30, 2030	\$4,112,550
	January 1, 2031, to September 30, 2031	\$3,084,413
Option Term 4	October 1, 2031, to December 31, 2031	\$1,058,982
	January 1, 2032, to December 30, 2032	\$4,235,927
	January 1, 2033, to September 30, 2033	\$3,176,945
Total Award from October 1, 2023, to September 30, 2033		\$39,962,568

The total expenditures shown in Table 1 above include a twenty (20) percent contingency for unforeseen costs and a three (3) percent CPI adjustment applied to each option term after the initial two (2) year period.

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

DECISION HISTORY

The previous contract award for the supply, delivery, and off-loading of various fuel products was awarded by the Government Management Committee at its meeting on October 24, 2018, and can be viewed at:

<https://secure.toronto.ca/council/agenda-item.do?item=2018.BA103.1>

At its meeting on January 30, 2019, Government Management Committee rescinded a portion of the Contract. A copy of the Decision Document can be found at:

<https://www.toronto.ca/legdocs/mmis/2019/ba/bgrd/backgroundfile-123893.pdf>

At its meeting on May 28, 2020, City Council authorized the amendment to contract 47021793. A copy of the Decision Document can be found at:

<https://secure.toronto.ca/council/agenda-item.do?item=2020.CC21.6>

At its meeting on May 27, 2021, General Government and Licensing Committee authorized the amendment to contract 47021793.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.GL23.12>

At its meeting on June 7, 2022, General Government and Licensing Committee authorized the amendment to contract 47021793.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.GL31.19>

COMMENTS

Background

Fleet Services Division (FSD) manages the supply and delivery of short-term rental services of various vehicle types on demand, to be used and operated by various City Divisions for the purposes of conducting business and operations and meet one time or peak seasonal requirements where owning fleet assets is a higher cost solution.

A team comprising of staff from the Category Management and Strategic Sourcing Unit of Purchasing and Materials Management Division (PMMD) and FSD conducted an extensive internal usage and market analysis which evaluated market trends, service challenges, supplier market innovation and use of technology in preparation for the development of the strategic sourcing strategy for this contract.

Strategic Sourcing Strategy & Achieved Benefits:

Highlights of Sourcing Strategy

Upon completion of an analysis of historical spend, internal needs forecasts, and a review of market trends including supply shortages, fuel and car rental cost increases, the City developed a detailed sourcing strategy focused on issuing a Negotiated RFP (nRFP) with the objective of achieving a reduction in the total cost of ownership, improving service level standards, and reducing administrative burden resulting from contract management. Key elements of the strategic sourcing strategy include:

- **Longer Contract Term:** Historically, short-term rental rates have increased by 24-34% at the start of every new contract, driven by market cost changes and contract lengths requiring overhead to be amortized over a shorter period (previously the City utilized 5-year contracts). Rental rates increased by 24% in 2018 and forecasted to increase by an additional 24% every 5-year period, resulting in a potential 54% increase in cost over a 10-year period if maintaining the historical 5-year contract term. To reduce this pricing risk, a key component of the sourcing strategy was to increase the contract term to 10-years in order to leverage the reduction in annual cost increases. This ultimately resulted in only a 34% increase vs the previous contract which will be maintained for a 10-year period (not accounting for CPI adjustments).

While the maximum term of the contract is 10 years, the contract was structured such that the City, at its sole discretion, will have the option to renew the contract

every 2 years, allowing for more flexibility throughout the contract term in case of changes in market trends, pricing and/or legislation.

- **Move to Electric Vehicles:** In accordance with the City's target to be net zero by 2040 (includes a 45% reduction in emissions by 2025, and 65% reduction by 2030), the nRFP required that 20% of total rentals to the City must be Zero Emissions Vehicles (ZEV) by 2025, 50% by 2030 and 100% by 2040.
- **Streamlining Invoicing Processes:** Enhanced processes for verification of infrequent charges to ensure prompt payment to suppliers.
- **Enhanced Technology:** Inclusion of telematics technology (Geotab) with asset route tracing, geofencing, collision data reporting and mapping capabilities to be accessible by city staff utilizing cloud-based software solutions.

Achieved Benefits

As a result of executing this strategic sourcing strategy and locking in rates for longer term contract including option years, the City is expected to realize an estimated financial benefit of **\$7.5M in cost avoidance (\$0.75M per year)** over the duration of the contract. In addition, the City has also secured various non-financial benefits, some of which include:

- Improved clarity on roles and responsibilities and assignment of risk for both suppliers and the City.
- Streamlining of administrative activities related to contract management.
- Creating efficiencies in the cost validation processes for ticket and refueling charges, leading to a significant reduction in time required to validate and process payments.
- Inclusion of piggyback clause to ensure other City divisions, agencies, and/or municipalities can utilize the contract under the terms and conditions agreed upon by the City.

Negotiated Request for Proposal (nRFP) Doc3872270278 Procurement Process

The Negotiated Request for Proposal (nRFP) Doc3872270278 was issued by PMMD on February 24, 2023 and made available online through SAP Ariba. In total, two (2) addenda were issued. The closing date for the proposals was March 21, 2023.

At the time of closing, proposals were received from the following two (2) firms:

- Enterprise Rent-A-Car Canada Company
- Hertz Canada Limited

Evaluation of the Negotiated Request for Proposal (nRFP) Doc3872270278 Submissions

A formal Evaluation Committee was established for the purpose of reviewing the responses received from the two (2) suppliers. All staff involved in the evaluation process signed and submitted a Non-Disclosure and Declaration of Conflict-of-Interest Agreement prior to the proposals being received. Under the supervision of PMMD, 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 Stage 1, each supplier was required to submit responses to a list of mandatory requirements. Suppliers that did not satisfy the mandatory submission requirements were issued a rectification notice which identified the deficiencies and provided an opportunity to rectify the shortcoming(s) by a specified date. As a result of this compliance review, both (2) suppliers met the mandatory submission requirements and advanced to Rated Criteria Evaluation (Technical Evaluation).

Stage 2: Rated Criteria Evaluation (Technical Evaluation)

In Stage 2, each supplier's technical proposal submission was evaluated against non-price related criteria, including past experience, operational capabilities, and GPS system technology. The proposals were scored out of a hundred (100) points and required a minimum 60% (60 out of 100) in order to pass. Both suppliers successfully exceeded all scoring thresholds and moved on to the Stage 3- Pricing Evaluation.

Stage 3: Pricing Evaluation

In Stage 3 - Pricing Evaluation, the pricing submission for each supplier was reviewed. The proposal with the lowest cost received the highest score allocated for this stage and all other Supplier's Proposals received a pro-rated score against the lowest priced supplier's proposal accordingly.

Only one (1) Supplier (Enterprise Rent a Car Canada) provided a completed pricing form with all line items in the "Mandatory Pricing" tab completed as per the nRFP requirements. As a result, only (1) one supplier proceeded to Stage 4: Contract Negotiations.

Stage 4: Contract Negotiations

The City met with the Enterprise Rent a Car Canada for the purposes of entering into direct contract negotiations, which were conducted between May 18, 2023 and June 12, 2023 with a focus on various topics, including, but not limited to:

- A review and adjustment of proposed response times and service levels;
- Clarification of scope assumptions;
- Cost clarification and reduction for ancillary fees;
- Alignment on terms and conditions for administrative fees and % markups; and
- Reduction of risk to both contractor and the City.

Upon conclusion of negotiations, FSD 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 Supplier, Enterprise Rent-A-Car Company, indicated agreement to comply with the Fair Wage Policy.

CONTACT

Gui Andrade
Manager Fleet Contracts
Tel: 416-394-8607
Email: Gui.Andrade@toronto.ca

Kazi Uddin
Manager, Category Management & Strategic Sourcing
Purchasing and Materials Management
Tel: 437-226-1094
Email: kazinahiyan.uddin@toronto.ca

SIGNATURE

David Jollimore
General Manager
Fleet Services

Geneviève Sharkey
Chief Procurement Officer
Purchasing and Materials Management Division