

Amendment to Non-Competitive Blanket Contract Number 47022700 with Toromont Industries Ltd. for Supply and Delivery of Proprietary Original Equipment Manufacturer Parts and Specialized Services for Equipment Warranty and Non-Warranty Repair and Maintenance

Date: September 18, 2023

To: General Government Committee

From: General Manager, Fleet Services and Chief Procurement Officer

Wards: All

SUMMARY

The purpose of this report is to request authority from the General Government Committee to amend non-competitive Blanket Contract number 47022700 with Toromont Industries Ltd., for the supply and delivery of proprietary Original Equipment Manufacturer parts and specialized services for Caterpillar equipment warranty and non-warranty repair and maintenance, to extend the term by five (5) separate one (1)-year periods, and to increase the Blanket Contract value by \$3,072,164 net of all taxes and charges (\$3,126,234 net of Harmonized Sales Tax recoveries).

The term extension will revise the term of the contract from five (5) years to ten (10) years, where all current optional extension years are exhausted after the fifth year of the contract. The parts and specialized services cannot be obtained through the competitive procurement process as Toromont Industries Ltd. is the only authorized dealer in the Greater Toronto Area, and this has been confirmed by the equipment manufacturer Caterpillar Inc.

This equipment is critical to providing public service by supporting transfer station and haulage operations for Solid Waste Management and maintaining water infrastructure for Toronto Water Operations. Access to original equipment manufacturer parts and warranty or non-warranty services is critical to ensure that units are safe, reliable, and available when required.

City Council approval is required in accordance with Municipal Code Chapter 195-Purchasing, where the current request exceeds the Chief Procurement Officer's authority of the cumulative five (5) year commitment for each vendor, under Article 7,

Section 195-7.3 (D) of the Purchasing By-Law or exceeds the threshold of \$500,000 net of Harmonized Sales Tax allowed under staff authority as per the Toronto Municipal Code, Chapter 71-Financial Control, Section 71-11.1.

RECOMMENDATIONS

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

1. City Council grant authority to the General Manager, Fleet Services Division to extend the term of the non-competitive Blanket Contract number 47022700 by entering into an amending agreement with Toromont Industries Ltd. for the supply and delivery of proprietary original equipment manufacturer parts and specialized services for Caterpillar equipment repair, warranty and non-warranty repair and maintenance, which includes the implementation of a telematics solution that will support these services through remote monitoring and proactive scheduling, based on the following conditions:

a. The initial term of this extension will be for a period of one (1)-year, commencing on November 1, 2024 to October 31, 2025 with the option to renew the contract for four (4) additional one (1)-year periods, subject to the exercise of each option year being at the sole discretion of the General Manager, Fleet Services Division and subject to the amounts payable under the contract being available under the current Fleet Services Division budget approval(s). This extension will revise the current maximum term duration from five (5) years to ten (10) years, where all optional extension years are exhausted;

b. the value of this extension, inclusive of an increase to the final year of the previous term and all additional option years for this extension, is \$3,072,164 net of all taxes and charges (\$3,126,234 net of Harmonized Sales Tax recoveries);

c. the agreement will be based on the condition that Toromont Industries Ltd. continues to be the exclusive distributor for the proprietary original equipment manufacturer parts and specialized services for Caterpillar equipment; and

d. on other terms and conditions satisfactory to the General Manager, Fleet Services, and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

The total potential cost to the City identified in this report is \$3,072,164 net of all taxes and charges (\$3,126,234 net of Harmonized Sales Tax recoveries).

Funding in the amount of \$38,777 net of Harmonized Sales Tax recoveries is included in the 2023 Approved Operating Budget for Fleet Services Division. Funding in the amount of \$193,885 net of Harmonized Sales Tax recoveries for the balance of the

contract period to October 31, 2024, will be included in the 2024 Operating Budget Submission for Fleet Services Division.

Should the City choose to exercise its option to renew for an additional five (5) separate one (1)-year periods, then appropriate funding, if needed, will be included in the 2024-2029 annual Operating Budget Submissions for Fleet Services Division. Funding details are provided in the tables below.

Table 1: Financial Impact Summary by Contract Year, Net of Harmonized Sales Tax Recoveries

Fleet Services Division Cost Centre: FL100 Cost Element: 2181 and 4404	Total Amendment Value (Net of Harmonized Sales Tax Recoveries)
Option Year 4 from November 1, 2023 to December 31, 2023	\$38,777
Option Year 4 from January 1, 2024 to October 31, 2024	\$193,885
Additional Optional Year 5 from November 1, 2024 to December 31, 2024	\$90,836
Additional Optional Year 5 from January 1, 2025 to October 31, 2025	\$454,181
Additional Optional Year 6 from November 1, 2025 to December 31, 2025	\$93,561
Additional Optional Year 6 from January 1, 2026 to October 31, 2026	\$467,807
Additional Optional Year 7 from November 1, 2026 to December 31, 2026	\$96,368
Additional Optional Year 7 from January 1, 2027 to October 31, 2027	\$481,841
Additional Optional Year 8 from November 1, 2027 to December 31, 2027	\$99,259
Additional Optional Year 8 from January 1, 2028 to October 31, 2028	\$496,296
Additional Optional Year 9 from November 1, 2028 to December 31, 2028	\$102,237
Additional Optional Year 9 from January 1, 2029 to October 31, 2029	\$511,185
Total Cost from November 1, 2023 to October 31, 2029	\$3,126,234

Table 2: Financial Impact Summary by Budget Year

Budget Year	Net of Harmonized Sales Tax Recoveries
2023	\$38,777
2024	\$284,722
2025	\$547,742
2026	\$564,175
2027	\$581,100
2028	\$598,533
2029	\$511,185
Total	\$3,126,234

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

DECISION HISTORY

Pursuant to the adoption of item GL8.15 "Non-Competitive Contract with Toromont Industries Ltd. for Proprietary Original Equipment Manufacturer Parts and Services" by City Council on October 29, 2019, Toromont Industries Ltd. was selected in accordance with the provisions of the City of Toronto Municipal Code Chapters 71 and 195 for the supply and delivery of labour, materials, and equipment necessary to provide warranty and non-warranty Original Equipment Manufacturer authorized parts and services for Caterpillar equipment for the City's Fleet Services Division.

<https://secure.toronto.ca/council/agenda-item.do?item=2019.GL8.15>

COMMENTS

The parts and specialized services for the equipment manufacturers outlined in this report cannot be obtained through the competitive procurement process and the non-competitive Blanket Contract number 47022700 meets the criteria of the exception code 2, Exclusive Rights in the Purchasing By-law.

On May 4, 2023, the Deputy City Manager (Corporate Services) approved an over-expenditure in accordance with the Municipal Code, which increased the approved amount of the Original Agreement by a total additional amount of \$480,000 net of Harmonized Sales Tax (\$488,448 net of Harmonized Sales Tax recoveries), to a total

amount of \$1,473,663 net of Harmonized Sales Tax (\$1,499,599 net of Harmonized Sales Tax recoveries), inclusive of all four (4) optional years, to account for unexpected undercarriage repairs on three (3) Caterpillar Crawler Tractor Loaders. Currently, the value of Blanket Contract number 47022700 resulting from the Original Agreement is \$1,263,012 net of Harmonized Sales Tax (\$1,285,241 net of Harmonized Sales Tax recoveries), the remaining approved amount will be added to the Blanket Contract when Option Year 4 is exercised.

Currently, the health status of Toromont Caterpillar units are difficult to track because these units do not leave the City's transfer stations. Additional funds are required to extend the contract for an additional five (5) separate one-(1) year periods and to implement an original equipment manufacturer telematics solution for all the current and incoming City of Toronto Caterpillar units, allowing Fleet Services and Toromont Industries Ltd. to remotely monitor, proactively schedule and complete Preventative Maintenance (PM) services inline with original equipment manufacturer recommended standards and specifications.

Equipment availability is critical to support daily operations for Solid Waste Management and Toronto Water. Utilizing original equipment manufacturer telematics technology will allow the City to proactively manage and optimize fleet performance, risk, safety, and return on investment by having the ability to track unit location, utilization, and equipment health. This strategy will ensure that client divisions have a reliable and timely available fleet.

CONTACT

Gui Andrade, Manager, Fleet Contracts, Fleet Services Division, 416-394-8607,
Gui.Andrade@toronto.ca

Clarman Yang, Acting Manager, Purchasing Client Services, Purchasing and Materials Management Division, 416-392-1302, Clarman.Yang@toronto.ca

SIGNATURE

David Jollimore
General Manager
Fleet Services

Geneviève Sharkey
Chief Procurement Officer