TORONTO

REPORT FOR ACTION

Amendment to Contracts 47022535, 47022552, 47022540, 47022549, 47022547, 47022541, 47022542, and 47022796 to Canada Clean Fuels Inc., for the supply, delivery, and off-loading of various fuels and services including bulk, mobile, and emergency fuel

Date: September 14, 2023
To: General Government Committee
From: General Manager, Fleet Services and Chief Purchasing Officer
Wards: All

SUMMARY

This report seeks authority for the General Manager, Fleet Services Division, to amend and increase the values of blanket contracts 47022535 (Fleet Services), 47022552 (Facilities Management), 47022540 (Fire Services), 47022549 (Toronto Water), 47022547 (Parks, Forestry & Recreation), 47022541 (Economic Development & Culture), 47022542 (Shelter, Support & Housing Administration), and 47022796 (Solid Waste Management Services) for the supply, delivery, and off-loading of various fuels and services including bulk, mobile and emergency fuel.

This amendment will increase the blanket contract target values by $24,880,926, net of HST (Harmonized Sales Tax) recoveries, $27,629,173 including all taxes and charges, ($24,450,596 net of HST). This increase will revise the blanket contract target for all participating divisions from $116,745,505 to $141,626,431, net of HST recoveries $157,269,917 including all taxes and charges, $139,176,917 net of HST). The duration of these blanket contracts will remain unchanged and with the exercise of all optional term extensions, will terminate on December 31, 2026.

This amendment is necessary due to gas price inflation, alongside taxation modifications involving the introduction of a carbon tax and the discontinuation of Provincial Fuel Tax relief (PRT). These contracts are critical in the provision of essential public services, as the fleet of vehicles and equipment providing these services to the public are fueled through these contracts. In addition, these contracts provide for the fueling of emergency generators in City buildings in the event of a power failure or other emergency.

RECOMMENDATIONS

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

The General Government Committee, in accordance with Section 195-8.5B of the City of Toronto Municipal Code Chapter 195 (Purchasing By-law), grants authority to amend blanket contracts 47022535 (Fleet Services), 47022552 (Facilities Management), 47022540 (Fire Services), 47022549 (Toronto Water), 47022547 (Parks, Forestry & Recreation), 47022541 (Economic Development & Culture), 47022542 (Shelter, Support & Housing Administration), and 47022796 (Solid Waste Management Services) with Canada Clean Fuels Inc.to:

1. Increase the blanket contract target values by $24,880,926 net of HST recoveries ($27,629,173 including all taxes and charges, $24,450,596 net of HST) for the full potential value of the contract, inclusive of all option renewal years. This will revise the blanket contract target values (total) from $116,745,505 to $141,626,431, net of HST recoveries ($157,269,917 including all taxes and charges, $139,176,917 net of HST).

FINANCIAL IMPACT

The total potential contract amendment amount inclusive of all optional terms is $24,880,926 net of HST recoveries ($27,629,173 including all taxes and charges, $24,450,596 net of HST).

No impact on the 2023 Approved Operating Budget for Fleet Services Division. Funding in the amount of $10,176,689 net of HST recoveries for the balance of the contract term to December 31, 2024, will be included in the 2024 Operating Budget Submission for Fleet Services Division.

Funding in the amount of $59,446 net of HST recoveries is included in the 2023 Approved Operating Budget for Facilities Management. Funding in the amount of $91,824 net of HST recoveries for the balance of the contract term to December 31, 2024, will be included in the 2024 Operating Budget Submission for Facilities Management.

No impact on the 2023 and 2024 Approved Operating Budget for Fire Services.

Funding in the amount of $48,220 net of HST recoveries is included in the 2023 Approved Operating Budget for Toronto Water. Funding in the amount of $364,269 net of HST recoveries for the balance of the contract term to December 31, 2024, will be included in the 2024 Operating Budget Submission for Toronto Water.

Funding in the amount of $392,403 net of HST recoveries is included in the 2023 Approved Operating Budget for Parks, Forestry & Recreation. Funding in the amount of $736,456 net of HST recoveries for the balance of the contract term to December 31, 2024, will be included in the 2024 Operating Budget Submission for Parks, Forestry & Recreation.

Funding in the amount of $1,690 net of HST recoveries is included in the 2023 Approved Operating Budget for Economic Development & Culture. Funding in the amount of $3,158 net of HST recoveries for the balance of the contract term to December 31, 2024, will be included in the 2024 Operating Budget Submission for Economic Development & Culture.

Funding in the amount of $13,411 net of HST recoveries is included in the 2023 Approved Operating Budget for Shelter, Support & Housing Administration. Funding in the amount of $24,758 net of HST recoveries for the balance of the contract term to December 31, 2024, will be included in the 2024 Operating Budget Submission for Shelter, Support & Housing Administration.

No impact on the 2023 Approved Operating Budget for Solid Waste Management Services. Funding in the amount of $7,949 net of HST recoveries for the balance of the contract term to December 31, 2024, will be included in the 2024 Operating Budget Submission for Solid Waste Management Services.

Should the City choose to exercise its option to renew for an additional one (1) term from January 1, 2025, to December 31, 2026, then appropriate funding, if needed, will be included in the 2025-2026 annual Operating Budget Submissions for each participating division. Funding details are provided in the tables below.

In the upcoming period, as these contracts reach their expiration dates, they will be merged into a single contract.

Table 1: Financial Impact Summary for all Participating Divisions, Net of HST Recoveries

Term	Approved Contract Value GL9.17 (Net of HST Recoveries)	Approved Amendments (Net of HST Recoveries)	Recommended Amendment (Net of HST Recoveries)	Total Cost (Net of HST Recoveries)
Initial Term from January 1, 2020, to December 31, 2024	$82,891,235	$543,120	$11,920,273	$95,354,628
Option Year Period from January 1, 2025, to December 31, 2025	$16,619,622	$0	$6,466,481	$23,086,103
Option Year Period from January 1, 2026, to December 31, 2026	$16,630,488	$0	$6,494,172	$23,124,660
Total Contract Amendments from January 1, 2020, to December 31, 2026	$116,202,385	$543,120	$24,880,926	$141,626,431

Through the adoption of Item No. GL9.17 on November 26 and 27, 2019, City Council granted authority to the General Manager, Fleet Services to enter into an agreement, with Canada Clean Fuels Inc., in the amount of $116,202,385, net of HST recoveries for all participating divisions for the period from January 1, 2020, to December 31, 2026.

Three (3) amendments were processed during the term for Facilities Management (47022552), Toronto Water (47022549), and Solid Waste Management (47022796) in the total amount of $543,120 net of HST recoveries, increasing the total approved target contract values from $116,202,385, net of HST recoveries to $116,745,505 net of HST recoveries in accordance with Toronto Municipal Code Chapter 195 – Purchasing and Toronto Municipal Code Chapter 71 – Financial Control, § 71-11.1 over-expenditures on commitments.

Table 2: Financial Impact Summary of Recommended Amendment (47022535) for Fleet Services Division, Net of HST Recoveries

Fleet Services Division Cost Centre: FL100 Cost Element: 2260, 2280, 2281	Approved Contract Value GL9.17 (Net of HST Recoveries)	Approved Amendments (Net of HST Recoveries)	Recommended Amendment (Net of HST Recoveries)	Total Cost (Net of HST Recoveries)
Initial Term from January 1, 2020, to December 31, 2024	$80,594,769	$0	$10,176,689	$90,771,458
Option Year Period from January 1, 2025, to December 31, 2025	$16,152,667	$0	$5,601,441	$21,754,108
Option Year Period from January 1, 2026, to December 31, 2026	$16,152,667	$0	$5,629,131	$21,781,798
Total Contract Amendments from January 1, 2020, to December 31, 2026	$112,900,103	$0	$21,407,261	$134,307,364

Table 3: Financial Impact Summary of Recommended Amendment (47022552) for Facilities Management, Net of HST Recoveries.

Facilities Management Division Cost Centre: FA100-30 Cost Element: 2281	Approved Contract Value GL9.17 (Net of HST Recoveries)	Approved Amendments (Net of HST Recoveries)	Recommended Amendment (Net of HST Recoveries)	Total Cost (Net of HST Recoveries)
Initial Term from January 1, 2020, to December 31, 2024	$133,740	$55,472	$151,270	$340,482

Option Year Period from January 1, 2025, to December 31, 2025	$26,798	$0	$67,832	$94,630
Option Year Period from January 1, 2026, to December 31, 2026	$26,798	$0	$67,832	$94,630
Total Contract Amendments from January 1, 2020, to December 31, 2026	$187,337	$55,472	$286,934	$529,743

Facilities Management Division amended contract 47022552 on December 15, 2022, by $55,472, net of HST recoveries ($61,588 including all taxes and charges, $54,513 net of HST) increasing the total contract target value from $187,337, net of HST recoveries ($211,600 including all taxes and charges, $184,097 net of HST) to $242,809, net of HST recoveries ($210,112 including all taxes and charges, $185,940 net of HST).

Table 4: Financial Impact Summary of Recommended Amendment (47022540) for Fire Services Division, Net of HST Recoveries

Fire Services Division Cost Centre: FR0038 Cost Element: 2280	Approved Contract Value GL9.17 (Net of HST Recoveries)	Approved Amendments (Net of HST Recoveries)	Recommended Amendment (Net of HST Recoveries)	Total Cost (Net of HST Recoveries)
Initial Term from January 1, 2020, to December 31, 2024	$223,827	$0	$0	$223,827
Option Year Period from January 1, 2025, to December 31, 2025	$44,850	$0	$17,239	$62,089
Option Year Period from January 1, 2026, to December 31, 2026	$44,850	$0	$17,239	$62,089
Total Contract Amendments from January 1, 2020, to December 31, 2026	$313,526	$0	$34,477	$348,003

Table 5: Financial Impact Summary of Recommended Amendment (47022549) for Toronto Water, Net of HST Recoveries

Toronto Water Cost Centre: Various Cost Element: 7105	Approved Contract Value GL9.17 (Net of HST Recoveries)	Approved Amendments (Net of HST Recoveries)	Recommended Amendment (Net of HST Recoveries)	Total Cost (Net of HST Recoveries)

Initial Term from January 1, 2020, to December 31, 2024	$460,711	$453,328	$412,489	$1,326,528
Option Year Period from January 1, 2025, to December 31, 2025	$92,315	$0	$285,989	$378,304
Option Year Period from January 1, 2026, to December 31, 2026	$92,315	$0	$285,989	$378,304
Total Contract Amendments from January 1, 2020, to December 31, 2026	$645,342	$453,328	$984,468	$2,083,138

Toronto Water amended contract 47022549 on December 14, 2022, by $453,328, net of HST recoveries ($503,400 including all taxes and charges, $445,487 net of HST) increasing the total award contract target value from $645,342, net of HST recoveries ($716,624 including all taxes and charges, $634,180 net of HST) to $1,098,670, net of HST recoveries ($1,220,025 including all taxes and charges, $1,079,668 net of HST).

Table 6: Financial Impact Summary of Recommended Amendment (47022547) for Parks, Forestry & Recreation, Net of HST Recoveries

Parks, Forestry & Recreation Cost Centre: P0012 Cost Element: 2281 Functional code: 1821200000	Approved Contract Value GL9.17 (Net of HST Recoveries)	Approved Amendments (Net of HST Recoveries)	Recommended Amendment (Net of HST Recoveries)	Total Cost (Net of HST Recoveries)
Initial Term from January 1, 2020, to December 31, 2024	$1,493,607	$0	$1,128,859	$2,622,466
Option Year Period from January 1, 2025, to December 31, 2025	$299,283	$0	$458,629	$757,912
Option Year Period from January 1, 2026, to December 31, 2026	$299,283	$0	$458,629	$757,912
Total Contract Amendments from January 1, 2020, to December 31, 2026	$2,092,173	$0	$2,046,117	$4,138,290

Table 7: Financial Impact Summary of Recommended Amendment (47022541) for Economic Development & Culture, Net of HST Recoveries

Economic Development & Culture Cost Center: AH0022	Approved Contract Value GL9.17 (Net of	Approved Amendments	Recommended Amendment	Total Cost (Net of HST Recoveries)

Cost Element: 2240	HST Recoveries)	(Net of HST Recoveries)	(Net of HST Recoveries)	
Initial Term from January 1, 2020, to December 31, 2024	$17,108	$0	$4,848	$21,956
Option Year Period from January 1, 2025, to December 31, 2025	$3,428	$0	-$138	$3,290
Option Year Period from January 1, 2026, to December 31, 2026	$3,428	$0	-$138	$3,290
Total Contract Amendments from January 1, 2020, to December 31, 2026	$23,964	$0	$4,573	$28,537

Table 8: Financial Impact Summary of Recommended Amendment (47022542) for Shelter, Support & Housing Administration, Net of HST Recoveries

Shelter, Support & Housing Administration Cost Centre: F03523 Cost Element: 2240	Approved Contract Value GL9.17 (Net of HST Recoveries)	Approved Amendments (Net of HST Recoveries)	Recommended Amendment (Net of HST Recoveries)	Total Cost (Net of HST Recoveries)
Initial Term from January 1, 2020, to December 31, 2024	$28,512	$0	$38,169	$66,681
Option Year Period from January 1, 2025, to December 31, 2025	$5,714	$0	$19,421	$25,135
Option Year Period from January 1, 2026, to December 31, 2026	$5,714	$0	$19,421	$25,135
Total Contract Amendments from January 1, 2020, to December 31, 2026	$39,940	$0	$77,010	$116,950

Table 9: Financial Impact Summary of Recommended Amendment (47022796) for Solid Waste Management Services, Net of HST Recoveries

Solid Waste Management Services Cost Centre: SW0860 & SW0862 Cost Element: 4424	Approved Contract Value GL9.17 (Net of HST Recoveries)	Approved Amendments (Net of HST Recoveries)	Recommended Amendment (Net of HST Recoveries)	Total Cost (Net of HST Recoveries)
Initial Term from January 1, 2020, to December 31, 2024	$0	$34,320	$7,949	$42,269

Option Year Period from January 1, 2025, to December 31, 2025	$0	$0	$16,069	$16,069
Option Year Period from January 1, 2026, to December 31, 2026	$0	$0	$16,069	$16,069
Total Contract Amendments from January 1, 2020, to December 31, 2026	$0	$34,320	$40,086	$74,406

Solid Waste Management Services leveraged the formerly approved award on March 30, 2020, and had a contract issued for the total amount of $34,320, net of HST recoveries ($38,112 including all taxes and charges, $33,727 net of HST).

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the Financial Impact Information.

DECISION HISTORY

Through the adoption of Item No. GL9.17 on November 26 and 27, 2019, City Council selected Canada Clean Fuels Inc. to provide to the City the requirements as set out in Negotiable Request for Proposal No. 6907-19-0145 for the supply of various fuels and services, in accordance with the terms of an agreement authorized by the General Manager, Fleet Services, at a total cost not to exceed a maximum fee of $81,517,566, exclusive of applicable taxes for the initial term of the Agreement from January 1, 2020 to December 31, 2024. If the General Manager exercises the option to extend the initial term for one additional two-year period, the total contract price during the extension shall not exceed $32,675,030, exclusive of applicable taxes.

https://secure.toronto.ca/council/agenda-item.do?item=2019.GL9.17

COMMENTS

The recent developments, including gas price inflation, and the introduction of carbon taxes, have necessitated an adjustment to the budgetary requirements of the Canada Clean Fuels Inc. contracts for various City participating divisions. This report aims to provide a comprehensive explanation of these factors and justify the need for additional contract value.

In 2022 Fleet Services experienced an average $0.22/L increase from the previous year, and an average $0.48/L increase from the year before. The actual contract (47022535) spends in 2022 for Fleet Services was $22,040,947 (net of HST rec). Fleet Services estimates to spend $19,498,096 (net of HST recoveries) in 2023 and $20,781,584 (net of HST recoveries) in 2024 resulting in an estimated $8,480,574 (net of HST recoveries) shortfall after applying residual amounts from 2020 to 2022. Fleet

Services estimates to spend $20,815,240 (net of HST recoveries) in 2025 and $20,848,903 (net of HST recoveries) in 2026 resulting in an additional estimated $9,358,810 (net of HST recoveries) shortfall for the optional term. These amounts exclude a 20% contingency to address any inflation during the contract period for all participating divisions. Therefore, an amendment in the total value of $21,407,261 (Net of HST recoveries) is necessary to carry the contract in compliance until the end of the optional term of December 31, 2026, increasing the contact target value from $112,900,103 to $134,307,364 net of HST recoveries. The table below details the contract expected spend for Fleet Services.

Table 10: 2019-2023 Fleet Services Division Fuel Expected Spend (net of HST Recoveries)

Term	Cost/L (Budget)	Cost/L (Actual)	Fuel Consumption (L)	Approved Contract Value GL9.17	Actual Spend	Contract Budget	Delta
2020	$ 1.05	$ 0.78	14,458,707	$ 16,107,059	$ 11,292,250		-$ 4,814,809
2021	$ 1.05	$ 1.05	14,761,305	$ 16,107,059	$ 15,462,467		-$ 644,592
2022	$ 1.08	$ 1.53	14,453,080	$ 16,116,840	$ 22,040,947		$ 5,924,107
2023	$ 1.50	$ 1.34	14,550,818	$ 16,126,818		$ 19,498,096	$ 3,371,278
2024	$ 1.43	TBD	14,532,576	$ 16,136,993		$ 20,781,584	$ 4,644,591
2025	$ 1.45	TBD	14,355,338	$ 16,147,373		$ 20,815,240	$ 4,667,867
2026	$ 1.47	TBD	14,182,927	$ 16,157,960		$ 20,848,903	$ 4,690,943
				$ 112,900,102	$ 48,795,664	$ 81,943,822	$ 17,839,384
						Total Contigency (20%)	**$ 3,567,877**
						Total Amendment Required	**$ 21,407,261**

Table 11: Recommended Amendment broken down by Cost Category

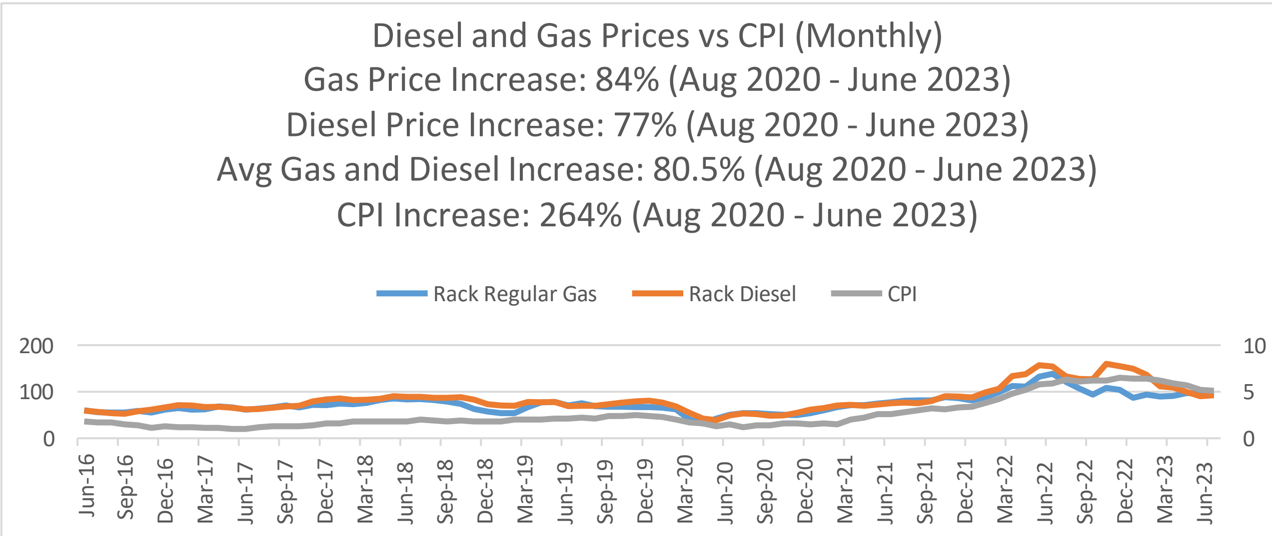
Cost Category	($) Net of HST	(%)
Gas Price Inflation/ Carbon Tax/PRT	$ 17,839,384	80%
Contingency	$ 3,567,877	20%
Total Required Amendment	$ 21,407,261	100%

A 20% contingency has been included to the recommended amendment to address potential impacts due to inflation throughout the contract period for all participating divisions. Fleet Services expect ongoing challenges with fuel costs and will report back to Council, if necessary, depending on how fuel prices fluctuate.

Gas Price Inflation:

Over the past three (3) years, there has been a significant increase in gas prices due to various global and domestic factors, such as geopolitical tensions, changes in oil supply, and fluctuations in currency exchange rates. Although oil and gasoline prices rose during 2021, YTD as of March 4, 2022, oil has risen 58% and retail gas has risen 24%. The supply of crude oil became more constrained due to geopolitical tensions. The rise in gas prices has had a direct impact on the operational costs associated with the Canada Clean Fuels contract. Increased transportation costs, higher fuel prices for equipment, and elevated maintenance expenses have put a strain on the existing contract value, requiring additional funding to meet contractual obligations effectively. The average year-after-year inflation on gas prices is in Table 12:

Table 12 - Gas Prices Inflation Year-After-Year



CPI for August 2020 was 1.4 and the CPI for June 2023 is 5.1. Hence, (5.1-1.4)/1.4 = 264%. [Consumer Price Index (CPI) statistics, measures of core inflation and other related statistics - Bank of Canada definitions (statcan.gc.ca)]

Carbon Tax:

On April 1, 2023, the Federal Government implemented a carbon tax to address environmental concerns and promote the transition to cleaner fuels. This tax was introduced to incentivize the reduction of greenhouse gas emissions and encourage the use of cleaner energy alternatives. The value initially allocated for the contracts in 2020 did not account for the introduction of these additional taxes, necessitating additional contract value to cover the increased costs. The federal carbon tax increased by 2.2 cents per liter in 2022 and will continue to rise until it reaches $170 per tonne by 2030. The Fuel Charge Rates for Listed Provinces and Territories for 2023 to 2030 can be found at: https://www.canada.ca/en/department-finance/news/2021/12/fuel-charge-rates-for-listed-provinces-and-territories-for-2023-to-2030.html

PRT (Provincial Fuel Tax):

The Provincial relief measures provided some temporary respite, which was recently extended until December 31, 2023. However, starting from the year 2024, an additional $0.053 per liter will be imposed on fuel prices.

Ontario To Cut Gas and Fuel Taxes For Additional Year | Ontario Newsroom: https://news.ontario.ca/en/release/1002474/ontario-to-cut-gas-and-fuel-taxes-for-additional-year

CONTACT

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

Tanvir Ahmad, Sr. Manager, Category Management & Strategic Sourcing, Purchasing and Materials Management Division, Telephone: 416-392-8714, Email: tanvir.ahmad@toronto.ca

SIGNATURE

Cris Renna
Acting General Manager, Fleet Services

Genevieve Sharkey
Chief Procurement Officer, Purchasing and Materials Management Division