

# **Non-Competitive Contracts with Directrik Inc. and HD Compression Inc. for the Purchase of Proprietary Essential Parts and Services for Maintenance of Process Equipment at Various Wastewater and Water Treatment Plants for Toronto Water**

**Date:** May 13, 2024

**To:** General Government Committee

**From:** General Manager, Toronto Water and Chief Procurement Officer

**Wards:** All

## **SUMMARY**

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The purpose of this report is to request City Council authority to enter into two (2) separate non-competitive contracts with Directrik Inc. and HD Compression Inc. for the supply of proprietary parts, supplies and services. The initial term of Directrik Inc. contract will be from the date of award to December 31, 2024 and the initial term of HD Compression contract will be from August 01, 2024 to December 31, 2024. Both contracts will have the option to extend the agreement for up to six (6) separate one (1) year periods, at the sole discretion of the City and subject to budget approvals, in the total amount of \$17,758,674, net of all taxes and charges (\$18,071,227 net of HST recoveries).

City Council approval is required in accordance with Toronto Municipal Code Chapter 195-Purchasing, where the current request exceeds the Chief Procurement Officer's authority of the cumulative five-year commitment for each supplier under Article 7, Non-competitive or Limited solicitations, Section 195-7.3(D) of the Purchasing By-law or exceeds the threshold of \$500,000 net of HST allowed under staff authority as per Toronto Municipal Code Chapter 71, Financial Control, Section 71-11A.

## **RECOMMENDATIONS**

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The General Manager, Toronto Water, and the Chief Procurement Officer recommend that:

1. City Council authorize the General Manager, Toronto Water, to enter into a non-competitive contract with Directrik Inc. (Directrik) for the continued supply of proprietary parts required for the maintenance of equipment installed at various City water and wastewater treatment plants, on the following terms and conditions:

a) The initial term of the contract be from the date the contract is issued to December 31, 2024, in the amount of \$2,200,000 net of all applicable taxes and charges (\$2,238,720 net of HST recoveries) and include the option to renew for six (6) additional separate one (1) year periods, at the sole discretion of the City and subject to budget approvals, for the total amount of \$16,857,417 net of all applicable taxes and charges (\$17,154,107 net of HST recoveries);

b) Directrik continues to be the exclusive distributor of the parts; and,

c) conditional upon such other terms and conditions that are satisfactory to the General Manager, Toronto Water and in a form satisfactory to the City Solicitor.

2. City Council authorize the General Manager, Toronto Water, to enter into a non-competitive contract with HD Compression Inc. (HD Compression) for the supply and delivery of proprietary parts, maintenance services, and bumper-to-bumper warranty for the City's four Ingersoll Rand centrifugal TURBO-AIR at Ashbridges Bay Treatment Plant, on the following terms and conditions:

a) The initial term of the contract be from August 01, 2024 to December 31, 2024, in the amount of \$44,724 net of all applicable taxes and charges (\$45,511 net of HST recoveries) and include the option to renew for six (6) additional separate one (1) year periods, at the sole discretion of the City and subject to budget approvals, for the total amount of \$901,258 net of all applicable taxes and charges (\$917,120 net of HST recoveries);

b) HD Compression continues to be the exclusive distributor of parts, maintenance services, and bumper-to-bumper warranty and,

c) conditional upon such other terms and conditions that are satisfactory to the General Manager, Toronto Water and in a form satisfactory to the City Solicitor.

## **FINANCIAL IMPACT**

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The total potential value identified in this report for the two (2) non-competitive contracts, including the option years, if exercised by the City, is \$17,758,674 net of HST (\$18,071,227 net of HST recoveries).

Funding in the amount of \$2,244,724 net of all applicable taxes and charges, (\$2,284,231 net of HST recoveries) for these contract awards is included in the 2024 Operating Budget for Toronto Water. Should the optional periods be exercised, additional funding will be included in the 2025-2030 Operating Budget Submissions for Toronto Water.

The cost calculations for the option years for contract awarded to Directrik include an annual estimated 3% inflationary increase commencing in 2025. The HD Compression Inc. cost calculation is based on fixed cost per year and includes 10% contingency.

Additional funding details are provided in Table 1 to follow.

Forecasted Expenditures Operating Cost Centre(s) TW4022, TW4036, TW4095, TW4100, TW4105, TW4110, TW4070, TW4075, TW4080, TW4085, TW7020, TW7060, TW7050, Cost Element(s) 2120, 4403, 4411, 4424			
Year	Initial Contract Period Ending December 31 2024	Option Year Periods January 1 2025 to December 31, 2030	Total Net of HST Recoveries
2024	\$2,284,231		\$2,284,231
2025		\$2,412,678	\$2,412,678
2026		\$2,488,031	\$2,488,031
2027		\$2,609,520	\$2,609,520
2028		\$2,660,917	\$2,660,917
2029		\$2,760,488	\$2,760,488
2030		\$2,855,362	\$2,855,362
Total			\$18,071,227

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

## **DECISION HISTORY**

Non-competitive contract 47025148 was issued on August 01, 2023 to Directrik Inc. in the amount of \$460,000.00 net of all taxes and charges, with one amendment to increase the contract to \$960,000 and extend until February 29, 2024 for the provision of non-exclusive supply and delivery of original equipment manufacturer (OEM) parts for several lines of equipment, ongoing operation, and maintenance of Toronto Water's wastewater treatment plants, water treatment plants and pumping stations.

Non-competitive contract 6049567 effective on August 01, 2019 to Comairco Equipment Ltd. in the amount of \$491,399.47 net of all taxes and charges, and was replaced by contract 6055370 as HD Compression has assumed the remaining work to be completed. Contract 6055370 was issued on February 15, 2024 to HD Compression Inc. in the amount of \$196,110.54 net of all taxes and charges and will expire on July 31, 2024 for the provision of service and quarterly, semi-annual maintenance, etc. for COMAIRCO equipment at Ashbridges Bay Treatment Plant.

## COMMENTS

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Toronto Water maintains the City's water and wastewater treatment plants to ensure safe, efficient and compliant operations. The use of proprietary parts and services is required for maintaining specialized and complex process equipment and systems at the plants. These specialized goods and services ensure that water and wastewater plant equipment is maintained according to specifications and standards necessary for regulatory compliance and system performance objectives.

The contracts with Directrik and HD Compression are required to maintain wastewater and water treatment process equipment installed at the City's treatment plants. These contracts ensure that the proprietary parts and services are readily available for routine maintenance and repairs when needed, thereby facilitating the safe and efficient operation of the City's water and wastewater plants and regulatory compliance. With access to these proprietary parts, maintenance staff routinely extend the useful life of equipment beyond the manufacturer's anticipated lifespan.

All the original process equipment was purchased through publicly tendered construction projects or through a competitive solicitation and, in some cases, the applicable manufacturer warranty period and maintenance services have long since ended. As such, Toronto Water has had to acquire the necessary parts and services to maintain this equipment.

**Directrik:** Directrik is the sole supplier for several specialized equipment lines required for the ongoing operation and maintenance of the Wastewater Treatment and Water Treatment Plants. Those equipment lines are as follows:

- **Atara Conveyors:** used wastewater treatment process to convey dewatered biosolids, screen rags, and grit.
- **Armstrong Pumps:** used in our wastewater and water treatment process for cold and hot water supply.
- **Flowserve Pumps:** used in our wastewater and water treatment process to move water between treatment and distribution.
- **Mapner Gas Compressors:** used in our wastewater treatment digestion process to mix biogas.
- **Moyno Pumps:** used in our wastewater treatment process to clarify wastewater by removing suspended solids, oils, greases and scum.
- **Seepex Pumps:** used in our water wastewater treatment process to feed chemicals, move scum and sludge.
- **Trillium Flow Technologies WEMCO®, Roto-Jet®, and WSP™ Pumps** are used in our wastewater treatment process to recirculate activated sludge.
- **Vogelsang Pumps and Grinders** are used in our wastewater treatment process to move scum, sludge and chemical dosing.
- **Weir Pumps and Grit Clarifiers** are used in our wastewater treatment process to transfer sludge, centrate, effluent water, and remove heavy organic solids.
- **Fujiwara Sludge Collector** is used in our wastewater treatment process to remove settled solids from settling tanks.

- **Hidrostal Pumps** are used in our wastewater treatment to transfer screenings, sludge, and the dewatering process.
- **Ingersoll Rand Oil Free Scroll Compressors** are used in our water treatment to provide clean air to hydro-pneumatic surge tanks in the City's drinking water system.

**HD Compression:** HD Compression is the sole supplier of proprietary parts, maintenance services, and bumper-to-bumper warranty for the City's four Ingersoll Rand centrifugal TURBO-AIR Compressors at Ashbridges Bay Treatment.

The air compressors supply air to control instruments of various wastewater treatment processes, dissolved air floatation process and biosolids drying process (pelletizers). These proprietary parts and maintenance ensure that there is no disruption of operation.

The recommended vendors have each provided pricing for the required parts and services and made representations indicating that competitive prices, comparable to those offered to other large government organizations, have been provided. Staff have reviewed the pricing for the parts and services and have determined that the pricing is fair and reasonable.

In the event that other suitably qualified suppliers (approved by the manufacturers/distributors) are identified in the future, staff will follow all appropriate Purchasing By-Laws and procedures to ensure that a competitive process will be conducted for future requirements.

The Fair Wage Office has reported that all recommended suppliers have reviewed and understand the Fair Wage Policy and Labour Trades requirements, and each has agreed to comply fully.

## **CONTACT**

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## **SIGNATURE**

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Lou Di Gironimo  
General Manager, Toronto Water

Geneviève Sharkey  
Chief Procurement Officer