REPORT FOR ACTION

Non-Competitive Contract with Siemens Canada Limited for Building Automation System Upgrades at Metro Hall (55 John Street)

Date: November 5, 2024
To: General Government Committee
From: Executive Director, Corporate Real Estate Management and Chief Procurement Officer
Wards: 10 – Spadina-Fort York

SUMMARY

The purpose of this report is to request City Council authorization for Corporate Real Estate Management to negotiate and enter into a non-competitive contract with Siemens Canada Limited ("Siemens") to upgrade the pneumatic (compressed air) controls on the central heating and cooling plants and basement to the existing Siemens Apogee building automation system ("BAS") at Metro Hall located at 55 John Street, in the amount of $1,042,800 net of all applicable taxes and charges ($1,061,154 net of Harmonized Sales Tax recoveries) for a period of ten months from the date of award.

This is the second and final phase of the BAS upgrades project at Metro Hall, and forms part of Corporate Real Estate Management's State-of-Good-Repair program. This project also aligns with the City's TransformTO Climate Change Action Plan and ModernTO Office Modernization goals and supports future carbon reduction and/or Net Zero projects. The first phase of the project, authorized by City Council in 2019 and completed in 2022, upgraded the tower compartment units of the BAS at Metro Hall. After delays due to budgetary constraints and the COVID-19 pandemic, staff are ready to proceed to with the implementation of the project's final phase.

Siemens is the sole authorized manufacturer, supplier, and service provider of the Apogee BAS. Siemens also does not license intellectual property such as software diagnostics and diagnostic tools used in the maintenance, service and troubleshooting of the Apogee BAS to other contractors. Because of existing system requirements, only Siemens is qualified to perform the proposed scope of work. The estimated cost to completely replace the existing BAS with a non-proprietary system through a competitive procurement process is approximately $8 million and would take five years to complete, which is currently not justifiable.

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 year commitment limit 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(A).

RECOMMENDATIONS

The Executive Director, Corporate Real Estate Management and Chief Procurement Officer recommend that:

1. City Council grant authority to the Executive Director, Corporate Real Estate Management to negotiate and execute a non-competitive contract with Siemens Canada Limited to upgrade the pneumatic controls on the central heating and cooling plants and basement to the existing Apogee building automation systems at Metro Hall, located at 55 John Street, in the amount of $1,042,800 net of all applicable taxes and charges ($1,061,154 net of Harmonized Sales Tax recoveries), for a period of ten months from date of award, on terms and conditions satisfactory to the Executive Director, Corporate Real Estate Management, and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

The total value of the contract identified in this report is $1,042,800 net of all applicable taxes and charges ($1,178,364 including all applicable taxes and charges). The cost to the City is $1,061,154 net of Harmonized Sales Tax recoveries.

Funds in the amount of $1,061,154 net of Harmonized Sales Tax recoveries are available in the 2024-2033 Capital Budget and Plan for Corporate Real Estate Management, with additional details to follow in Table 1 below:

Table 1: Financial Impact Summary (Net of Harmonized Sales Tax Recoveries)

Year	Cost Centre / WBS Element	Cost Element GL	Cost
2025	CCA241-05	4420	$1,061,154

The Chief Financial Officer and Treasurer has been advised of the award associated with this program to be considered along with other priorities in future budget processes.

DECISION HISTORY

On October 29, 2019, City Council adopted Item GL8.12 "Non-Competitive Contract with Siemens Canada Limited for Building Automation System Upgrades at Metro Hall" in the amount of $988,553 net of all applicable taxes and charges ($1,005,952 net of Harmonized Sales Tax recoveries). A record of this decision can be found here: [Agenda Item History - 2019.GL8.12 (toronto.ca)]

COMMENTS

Background

In an ongoing effort to conserve energy, maintain environmental comfort, facilitate interoperability, provide remote monitoring, and control of HVAC systems, and prolong HVAC equipment life, this project will connect the remaining stand-alone HVAC equipment at Metro Hall to the existing Siemens Apogee system, thereby replacing the aging energy-intensive pneumatic (or compressed air) control system with a modern energy-efficient digital control BAS. A BAS is a centralized, networked system of electronic hardware and software that controls and monitors a building's facility systems, including but not limited to HVAC systems.

This project is part of Corporate Real Estate Management's State-of-Good-Repair program, aligns with the City's TransformTO Climate Change Action Plan and ModernTO Office Modernization goals, and supports future carbon reduction and/or Net Zero projects. This project is expected to result in the following co-benefits:

1. Centralized monitoring;
2. Reduced annual electrical energy consumption;
3. Reduced operations and maintenance costs;
4. Prolonged equipment life as a result of a better, more optimized control system; and
5. Improved occupant temperature and humidity comfort.

This is the second and final phase of the BAS upgrades project at Metro Hall. The first phase of the project, authorized by City Council in 2019 and completed in 2022 upgraded the tower compartment units from the aging energy-intensive pneumatic (or compressed air) control system to a modern energy-efficient digital control BAS at Metro Hall. After delays due to budgetary constraints and the COVID-19 pandemic, staff are ready to proceed to with the implementation of the project's final phase.

Rationale for a Non-Competitive Contract

Siemens is the sole authorized manufacturer, supplier, and service provider of the Apogee BAS. Siemens also does not license intellectual property such as software diagnostics and diagnostic tools used in the maintenance, service and troubleshooting of the Apogee BAS to other parties. Because of existing system requirements, only Siemens is qualified to perform the proposed scope of work. The estimated cost to completely replace the existing BAS with a non-proprietary system through a competitive procurement process is approximately $8 million, and would take five years to complete, which is currently not justifiable.

On September 18, 2024, Corporate Real Estate Management received a quote from Siemens in the amount of $869,000 net of all applicable taxes and charges to upgrade the pneumatic controls on the central heating and cooling plants and basement to the existing Apogee BAS at Metro Hall. Siemens also confirmed that their prices are based on their government and educational pricing policy, and fair and in line with industry rates. Corporate Real Estate Management staff performed a fair price assessment in collaboration with a third-party consultant and determined that the prices provided by Siemens are in line with previous prices they and other building automation system vendors have provided to the City of Toronto for similar services. The requested value in this report, in the amount of $1,042,800 net of all applicable taxes and charges, includes a contingency allowance of 20%, primarily to account for unforeseen site conditions and is aligned with industry best practice.

The Fair Wage Office has reported that Siemens Canada Limited has indicated that it has reviewed and understood the City's Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

CONTACT

Vera Kan, Director, Asset Management and Building Performance, Corporate Real Estate Management, 416-397-4275, Vera.Kan@toronto.ca

Francesco McGrillis, Acting Manager, Purchasing Client Services, Purchasing and Materials Management, 416-392-0205, Francesco.McGrillis@toronto.ca

SIGNATURE

Patrick Matozzo
Executive Director, Corporate Real Estate Management

Geneviève Sharkey
Chief Procurement Officer

ATTACHMENTS

Attachment 1: Siemen’s Letter on Exclusive Rights
Attachment 2: Siemen’s Price Quotation
Attachment 3: Siemen’s Fair Pricing Letter