

COMMITTEE OF THE WHOLE MARCH 24, 2003

EXTENSION OF CONTRACTS – WINTER ROAD MAINTENANCE

Recommendation

The Commissioner of Engineering and Public Works, in consultation with the Director of Purchasing Services, recommends:

1. That notwithstanding City Purchasing Policies and Procedures, the existing contracts with Dale Farren & Son Trenching Ltd. and Gazzola Paving Ltd., for the provision of winter road maintenance, be extended and amended for two additional years ending March 31, 2005 based on the proposals recently sent to the attention of the Public Works Department; and
2. That the Mayor and Clerk be authorized to sign the necessary documents.

Purpose

To seek authorization to extend and amend the winter road maintenance contracts currently held by Dale Farren & Son Trenching Limited and Gazzola Paving Limited, to March 31, 2005.

Background - Analysis and Options

The City has winter road maintenance contracts with Dale Farren and Son Trenching Limited and Gazzola Paving Limited, for the ploughing and salting operations on City streets. These contracts will expire on March 31, 2003. At their own initiative, both contractors submitted proposals to extend their contracts for two additional years ending March 31, 2005.

The highlights of each proposal are as follows:

1) Dale Farren and Son Trenching Limited

This contractor provides winter road maintenance for the east half of the City. The terms of payment in the current contract is based on a per-day standby rate and an hourly operating unit rate. In the proposal submitted by Dale Farren & Son Trenching Limited, the estimated contract cost is \$1,393,167.22 annually. The standby and operating rates have increased six percent attributed to inflation and increased insurance and fuel costs. To contain costs, the contractor is replacing two expensive rubber tired loaders with two less expensive 4x4 truck ploughs to do the same work. This will allow the contractor to add one plough and one sander and control the actual increase to one percent over this year's contract cost. It should be noted, that under the existing contract, costs have increased an average of three percent each year. In addition, the contractor proposes to supply one additional supervisor to oversee their operations. All other terms and conditions of the contract remain unchanged.

2) Gazzola Paving Limited

This contractor provides winter road maintenance for the west half of the City. The current contract is a lump sum contract. In the proposal submitted by Gazzola Paving Limited, they propose to change the terms of payment from the seasonal lump sum to a unit rate structure, similar to the contract on the east side of the City. Based on the average number of ploughing and salting/sanding events, the contract cost is \$1,390,254.21 which is an increase of twenty two percent over the fixed annual lump sum cost that has been in place for the past three years. This increase is attributed to inflation, insurance costs and market forces. It should be noted, that over the three years that the existing contract has been in effect, Gazzola Paving, unlike Dale Farren &

Son Trenching Ltd., has received no additional increases to cover inflation or other increased operating expenses. This is no doubt the reason for the increased costs reflected in their proposal. Notwithstanding the increase, the estimated annual cost is almost identical to that proposed to maintain the east portion of the City. The contractor intends to change plough types from loaders to truck ploughs and graders for a more efficient operation. All other terms and conditions of the contract remain unchanged.

General Comments

In the past several months, municipalities in the GTA have called tenders for winter road maintenance. These include the City of Toronto, the City of Mississauga and the Region of York. The prices they are receiving from the contractors have increased forty to fifty percent above previous contract prices. These contracts are typically for five year terms. Other municipalities in the GTA are in the process of tendering as well.

Although the prices submitted by the two contractors have increased, the rate of increase is not nearly as high as the results of tender openings in other municipalities. Over the past three years, these two contractors have become familiar with the City. This has created a more effective and efficient operation and reduced the amount of complaints from the residents.

The prices submitted are based on a normal winter season. Even with the heavy snowfalls received this winter, there have only been 3 times the ploughs were sent out to clear snow across the entire City. As such, although the tendered prices have risen, if the City experiences a winter with less than average snowfall, the actual costs will be less than the amounts indicated.

Accordingly, staff are of the view that accepting the proposals submitted by the two contractors would be the best option at the present time.

Funds are available to cover the added expense in the Operating Budget and the newly created Winter Reserve account.

Tenders will still be called for the residential driveway windrow clearing service. This tender should be going out within the next few months.

Conclusion

The proposals submitted by each contractor are in keeping with the City's conventional method of contracting winter road maintenance. Gazzola Paving's reluctance to extend the lump sum pricing structure is the direct result of the active winter seasons we experienced in years one and three of the contract.

The price increase proposed by each contractor is less than the increase being experienced by surrounding municipalities. By extending the contracts for another two years, the City will be partly sheltered from having to pay the higher rates experienced in other GTA municipalities. As well, moving the term of the contract ahead by two years will put the City in a position of not having to compete with the larger municipalities for winter road maintenance services.

It should also be noted that the two contractors' prices are within \$3000 of each other, and both have approximately the same areas to cover and need the same amount of equipment to perform the necessary works.

Attachments

N/A

Report prepared by:

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Respectfully submitted,

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Commissioner of Engineering and Public Works

Brian T. Anthony
Director of Public Works