

## **COMMITTEE OF THE WHOLE - MAY 2, 2005**

### **WINTER ROAD MAINTENANCE CONTRACTS**

#### **Recommendation**

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

1. RFP00-15 with Dale Farren & Son Trenching Limited be extended for a three year period, based on the price increases in the equipment standby rate as outlined in this report;
2. RFP00-15 with Gazzola Paving Limited be extended for a three year period, based on the price increase as outlined in this report; and,
3. That the Mayor and Clerk be authorized to sign the necessary documents.

#### **Economic Impact**

There is no economic impact on the 2005 Operating Budget as the necessary resources have been allocated and approved. There will be an economic impact in the 2006-2007, and 2007-2008 winter seasons, due to growth and the increased standby rates. However, staff are unable to quantify the growth factor at this time.

#### **Purpose**

To seek Council's formal approval of the extension to the current winter road maintenance contracts for an additional 3 years.

#### **Background - Analysis and Options**

RFP00-15 was issued in 2000, and covers winter road ploughing, snow removal, as well as the salting and sanding operations for the majority of the City. The original contract was extended for 2 years, and expired at the end of this current winter season (April 2005). Gazzola Paving Limited performs winter road maintenance in the west portion of the City. Dale Farren & Son Trenching Limited maintains the east portion of the City. City staff and equipment provides limited service in both contract areas. Residential driveway windrow clearing is performed by two separate contractors and is not part of the services provided for under these two contracts.

Both contractors have submitted letters to the City at the start of the 2004-2005 winter season concerning continued operations past the current term of their contracts. In one case, the letter is to advise of a price reduction from their original proposal; the other is to identify specific price increases if the contract was extended.

#### **Gazzola Paving Limited**

In 2003, Gazzola provided the City with prices for a 5 year period, with the option of going for either 2 or 5 years. At the time, the 2 year option was chosen. This current winter season (2004-2005) represents the second and last year of their original proposal to the City in 2003.

Gazzola Paving has indicated that it is willing to amend their original 5 year proposal for the optional 3<sup>rd</sup>, 4<sup>th</sup>, and 5<sup>th</sup> year. They have indicated that they are willing to forgo any price increase in the 3<sup>rd</sup> and 4<sup>th</sup> years, and reduce the increase for the 5<sup>th</sup> year to 2%. Originally, their proposal

had a 2% increase in the 3<sup>rd</sup> year, a 3% increase in the 4<sup>th</sup> year, and 5% increase in the 5<sup>th</sup> (last) year.

In speaking with the contractor, they indicated that they are able to maintain their current costs for a number of reasons. The City provides all the fuel used during winter storm operations, saving them from any price increases that have, and will, take place. The City also supplies all the de-icing materials (salt, sand/salt, Clearlane), again saving them from incurring additional operating cost increases. Increased insurance costs can be spread across the entire year and on various other contracts taking place throughout the year. The other main reason that costs can be controlled is that the contract has specific hours guaranteed for each type of equipment. These guaranteed hours are 50 hrs for ploughing and 175 hours for salting, and were based on seasonal averages.

The impact of the 2% increase in the 5<sup>th</sup> year (2007 – 2008), amounts to approximately \$29,100, based on today's salting and ploughing fleet size, and 175 hrs of salting and 50 hrs of ploughing per unit. Should the City take advantage of the optional 3 years, the only increase related to this work in the first two years would be to cover the growth component, and the resulting need for additional equipment.

#### Dale Farren & Son Trenching Limited

Dale Farren & Son Trenching have indicated that they too are willing to extend the current contract for a further three years; however, they have included price increases for vehicle standby rates. Unlike Gazzola Paving, Farren's contract contains no guaranteed operating hours for the equipment. The only guaranteed payment is the equipment standby rates. In addition, Farren uses sub-contractors to assist in performing the work.

Dale Farren & Son Limited have indicated in their letter that, "The drastic increases in insurance premiums force us to propose a rate increase on the daily standby rate of 9% for the first term, 7% for the second term, and 3% for the third term."

The proposed equipment standby rates, as outlined in the letter from Dale Farren & Son, would result in increases as follows:

	Daily Standby Rate per Vehicle
Current rate	\$196.91
2005 – 2006	\$214.63
2006 – 2007	\$229.65
2007 – 2008	\$236.54

It should be noted that they are not proposing to increase the hourly operating costs throughout the 3 years, and the only other impact on costs for the east portion of the City would be related to growth and the resulting need for additional equipment.

The impact of their proposed equipment standby rate increase in 2005 is approximately \$26,000, as it only impacts the last portion of the 2005 budget year (November and December). Even with the proposed increases in the equipment standby rates, the overall contract costs for the two contracts are almost identical.

#### General

When finalizing the 2005 Operating Budget, the above noted information was used by the Senior Management Team to reduce the Public works Winter Maintenance budget by \$180,000. This number took into account the increase in the City's growth, as well as the prices submitted by the two contractors.

Although the matter of extending the contracts was discussed at Budget Committee, Council did not formally extend the contracts.

As such, it is recommended that the winter road maintenance contracts with Gazzola Paving and Dale Farren & Son be extended for 3 years, based on the conditions contained in their letters.

### **Relationship to Vaughan Vision 2007**

This report is consistent with the priorities previously set by Council.

### **Conclusion**

When finalizing the 2005 Operating Budget, a total of \$180,000 was removed from the Public Works Department's proposed 2005 Roads Winter Maintenance Budget, based on the extension of the existing winter maintenance contracts. In order to legitimize the extension of the contracts, it is recommended that Council approve the extensions, and the conditions therein.

### **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