

## **COMMITTEE OF THE WHOLE - MAY 16, 2005**

### **WINTER ROAD MAINTENANCE CONTRACTS**

(Referred from the Council meeting of May 9, 2005)

Council, at its meeting of May 9, 2005, adopted the following:

That this matter be referred to the Committee of the Whole meeting of May 16, 2005; and

That the written submissions from Mr. Munro Armstrong, Dale Farren & Son Ltd., dated May 8 and 9, 2005, be received.

Recommendation of the Committee of the Whole meeting of May 2, 2005:

The Committee of the Whole recommends:

- 1) That Clauses 2 and 3 of the recommendation contained in the following report of the Commissioner of Engineering and Public Works, dated May 2, 2005, be approved; and
- 2) That staff be directed to tender for the east portion of the City's winter road maintenance services.

Report of the Commissioner of Engineering and Public Works, dated May 2, 2005

### **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.

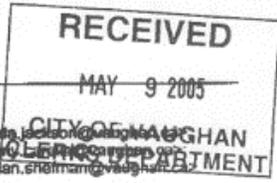
#### **Attachments**

1. Written submissions of Mr. Munro Armstrong, Dale Farren & Son Ltd., dated May 8 and 9, 2005.

#### **Report prepared by:**

Brian T. Anthony, CRS-S, C. Tech  
Director of Public Works

ITEM # 15  
ADDITIONAL  
INFORMATION  
CW RPT 29  
Council May 9/05



Main Identity

From: "The Armstrong's" <munro@armking.com>  
To: <michael.dibiase@vaughan.ca>; <mario.ferri@vaughan.ca>; <linn.jackson@vaughan.ca>; <joyce.frustaglio@vaughan.ca>; <peter.meffe@vaughan.ca>; <tom.mccarthy@vaughan.ca>; <bernie.divona@vaughan.ca>; <sandra.racco@vaughan.ca>; <slan.shelton@vaughan.ca>  
Sent: Sunday, May 08, 2005 3:54 PM  
Subject: URGENT - IMMEDIATE ATTENTION REQUIRED

**This is Munro Armstrong a contractor with 20+ years of UNBLEMISHED service to the City of Vaughan. I am contacting you because I am requesting a deferral of the decision to accept the recommendation from the Committee of the Whole meeting May 2nd. Report No. 29, item #15 Winter Road Maintenance. If approved, this decision will terminate our contract with you. ( details follow)**

**It is our desire that a meeting be set up to discuss the details behind the decision.**

In Dec. of 04 we were asked to present a proposal for possible contract extension of the winter road maintenance on the Part A to RFP 00-15.

The proposal was prepared and submitted Dec. 10th to the Director of Public Works, Brian Anthony.

The proposal was reviewed and recommended for acceptance by the Commissioner of Engineering and Public Works in consultation with the Director of Purchasing Services to the Committee of the Whole on May 2, 05. The results of May 2, 2005 meeting reports the following:

The Committee of the Whole recommends:

- 1) That clauses 2 and 3 of the recommendation contained in the following report of the Commissioner of Engineering and Public Works, dated May 2, 2005, be approved; and
- 2) That staff be directed to tender for the east portion of the City's winter road maintenance services.

I would like to bring to your attention that Dale Farren & Son Ltd. was not contacted to discuss any concerns the City of Vaughan may have had in extending this contract. As contractor to the East side, it would appear that the proposed recommendation to re-tender is unjustified. The report prepared by the Director of Public Works identifies that the overall contract costs of the two contracts are almost identical and there are substantial savings to be had by not embarking on the whole tendering process.

Furthermore; going to tender after publicizing the results of the meeting held by the Committee of the Whole where significant information was disclosed would jeopardize the tender for Dale Farren & Son and give competing companies an unfair advantage.

In closing, I would like to remind council of Dale Farren & Son Ltd. unblemished record of service for the winter road maintenance to the City of Vaughan for the past 20+ years. We are ready to meet with council members at any time to discuss the proposal and provide any information that may be required. We look forward to continuing our long standing service contract with the City of Vaughan.

Sincerely;

5/8/2005

CW Item 15, Rpt. 29  
orig

May 9, 2005

ATTENTION: John Leach, City Clerk, CITY OF VAUGHAN

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Re: Request for Council Meeting Scheduled for 1:00 P.M.  
May 9th, 2005

Dale Farren & son Trenching Ltd is requesting that Council defer the recommendation of the Committee of the Whole with regard to Report No. 29 - Item #15 Winter Road Maintenance.

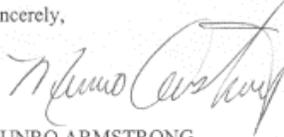
It is requested that this recommendation be deferred to the next Committee of the Whole meeting for further discussion.

I would like to bring to your attention that Dale Farren & Son Ltd. was not contacted to discuss any concerns the City of Vaughan may have had in extending this contract. As contractor to the East Side. It would appear that the proposed recommendation to re-tender is unjustified. The report prepared by the Director of Public Works identifies that the overall contract costs of the two contracts are almost identical and there are substantial savings to be had by not embarking on the whole tendering process.

Furthermore going to tender after publicizing the results of the meeting held by the Committee of the Whole where significant information was disclosed would jeopardize the tender for Dale Farren & Son and give competing companies an unfair advantage.

In closing, I would like to remind council of Dale Farren & Son Ltd. unblemished record of service for the winter road maintenance to the City of Vaughan for the past 2+ years. We are ready to meet with council members at any time to discuss the proposal and provide any information that may be required. We look forward to continuing our long standing service contract with the City of Vaughan.

Sincerely,



MUNRO ARMSTRONG