

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 24, 2014

Item 17, Report No. 8, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on June 24, 2014.

17 BUDGET AMENDMENT – AWARD OF TENDER T13-339 – ONE NEW MULTI-PURPOSED 4X4 EXCAVATOR (GRADALL) AND ATTACHMENTS

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Commissioner of Engineering and Public Works, dated June 16, 2014:

Recommendation

The Commissioner of Engineering and Public Works, in consultation with the Commissioner of Strategic and Corporate Services and the Commissioner of Finance & City Treasurer, recommend:

1. That tender T13-339 Multi-purposed 4x4 Excavator (Gradall) and attachments be awarded to Amaco Construction Inc. in the amount of \$396,567 (CDN) excluding HST;
2. That the contingency allowance in the amount of \$19,828 (or 5% of price) be approved within which the Commissioner of Engineering and Public Works or his delegate is authorized to approve amendments to the contract;
3. That the budget for capital project FL-5294-13 be increased by \$76,188 and funded by Innovation Reserve;
4. That the inclusion of the matter on a public Committee or Council agenda with respect to increasing the capital budget identified as Budget Amendment - Award of Tender T13-339, one new multi-purposed 4x4 excavator (Gradall) and attachments - is deemed sufficient notice pursuant to Section 2 (1)(c) of By-law 394-2002 as amended; and
5. That the repayment schedule as illustrated in the report be implemented as required per Section C vii of the Consolidated Reserve Policy.

Contribution to Sustainability

Through the purchase of this specialized equipment, efficient and effective road maintenance work can now be undertaken by City staff, eliminating the need for contracted services. This equipment will help in the maintenance of rural road ditches, thereby improving drainage and increasing the life of the roads.

Economic Impact

Budget Amendment of \$76K funded under the City's Innovation Reserve Fund required for the purchase of a Multi-Purposed 4X4 Excavator Gradall XL

Project FL-5294-13, PW Roads - 1 new Gradall was approved in the 2013 Capital Budget in the amount of \$360,500. Additional funding from the Innovation Reserve in the amount of \$76,188 is required due to increase in the price due to an unfavourable U.S. exchange rate fluctuation, the addition of a brush cutter and guard attachment and the incorporation of a 5% contingency component in the total project cost as shown in Table 1 below.

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TABLE 1 – BUDGET AMENDMENT

Approved Capital Budget (FL-5294-13)	\$ 360,500
Less: Expenses/Commitments To-Date	252
Current Funds Remaining	\$ 360,248
Less: Total Tender Costs	436,436
Additional Funds Required	\$ (76,188)

Communications Plan

Not applicable

Purpose

To award tender T13-339 Multi-purposed 4x4 Excavator (Gradall) and attachments to Amaco Construction Equipment Inc.; to approve budget amendment to capital project FL-5294-13; and to approve the repayment schedule to the Innovation Reserve as per policy.

Background - Analysis and Options

The original tender for a Gradall was advertised in October 2013, and resulted in one compliant bid being submitted

The tender was advertised in Vaughan Today (City Page), on Biddingo, the Ontario Public Buyers' City website, and issued on Thursday, October 17, 2013. The tender closed on Friday, October 25, 2013.

A total of two documents were picked-up from the Purchasing Services Department and only one bid was received.

The only bid received was from Amaco Construction Equipment Inc.

The following table shows the original bid price for the base unit without desired provisional items:

ORIGINAL BID RESULTS FOR T13-339 SUPPLY OF ONE (1) CURRENT YEAR PRODUCTION MULTI-PURPOSED 4X4 EXCAVATOR GRADALL XL 3100 OR EQUIVALENT	
CONTRACTOR	TOTAL BID PRICE (Excluding H.S.T.)
Amaco Construction Equipment Inc.	\$ 333,542.00 (CDN)

The original Gradall bid expired prior to being awarded by the Commissioner of Community Services. Given the time that has elapsed since the original bid closing on October 25, 2013, and the impact of U.S./Canadian dollar exchange rate, Amaco was unable to honor the original tendered price. Both the City and Amaco expressed desire to finalize the Gradall purchase, and Amaco has submitted a revised quote based on the original equipment specification and reflecting the current U.S./Canadian dollar exchange rate of \$1.12, FOB Amaco, Mississauga, Ontario. The revised total for the base Gradall unit is \$359,007.

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The mechanical brush cutting device and cab guard was tendered as a provisional item; staff has opted to exercise this item as it is expected to contribute to projected operational savings as shown in Table 2. This attachment, a mechanical brush cutter/mulcher, allows the unit to be utilized for removal/mulching of roadside vegetation. Vegetation that encroaches into the road allowance creates sightline issues for pedestrians and motorists. The elimination of overgrown vegetation is key to ensuring safety of road users, and is a regular maintenance activity for both Roads and Parks and Forestry Services. Amaco has confirmed their commitment to the original Provisional pricing for this attachment as follows:

Mechanical Brush Cutter/Mulching Device & Cab Guard:	\$37,560
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With the foreign exchange fluctuation and the additional cost of the brush cutting device and cab guard, the overall total for the Gradall and all attachments is now \$396,567 before applicable taxes.

Savings realized through purchase will payback Capital Cost within 4 years

The rationale supporting purchase of a Gradall for Roads operations involves the elimination of significant contracted service costs in various business units. The primary business units include Culvert Installation & Maintenance, Road Platform Maintenance, Rural Road Maintenance, Roadside Vegetation Maintenance, and Washout Repairs.

The Gradall purchase was proposed as a viable project under the new Innovation Reserve, with the anticipated annual budget expense reduction in contracted services of \$186,490. Netting out the estimated annual operating costs of \$66,389, there is an estimated net annual budget savings of \$120,101.

This Innovation Reserve Fund is intended to provide funding for value propositions which require upfront investment. With the projected annual savings in contracted services costs, it is estimated the Gradall purchase will be repaid within a 4 year term, recovering funding for other future projects.

Table 2 below details the repayment schedule to the Innovation Reserve Fund from savings in designated business units:

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TABLE 2 – INNOVATION RESERVE REPAYMENT SCHEDULE - GRADALL

Project Costs:	
Gradall Unit	\$359,007
Brush Cutter & Guard	37,560
Total before contingency	\$396,567
Contingency (5%)	19,828
Total before taxes	\$416,395
HST at 1.76%	7,329
Sub-Total	\$423,724
Administration Fee	12,712
Total Tender Costs	\$436,436
Interest at 10%	43,644
Total Reserve Payment Required	\$480,080
Projected Annual Budget Savings:	
2310120 - Culvert Installation Mainten.	\$77,505
2310140 - Road Platform Mainten.	43,375
2310150 - Rural Road Mainten.	32,410
2310110 - Roadside Vegetation Mtce.	28,000
2310146 - Washout Repairs	5,200
Total Annual Budget Savings	\$186,490
Additional Expenses:	
Fuel Costs (1200 hrs*21L/hr*\$1.2/L)	\$30,240
Repairs and Maintenance (1200 hrs*\$16/hr)	19,200
Replacement Reserve Contribution (25 yrs)	16,949
Total Cost Increases	\$66,389
NET Budget Savings	\$120,101
Payback (yrs)	4.0

The contingency allowance in the amount of \$19,828 (or 5% of price) is to mitigate potential foreign exchange fluctuations and/or amendments to the contract, as necessary.

It should be noted that the annual savings will continue beyond the repayment period as City staff continue to perform road maintenance work in-house, thereby eliminating the need to hire Contracted equipment. As per the Consolidated Reserve Policy, the annual savings beyond repayment period will be allocated at 50% within the department and 50% corporate accounts.

Relationship to Vaughan Vision 2020/Strategic Plan

This report is consistent with the priorities previously set by Council and ties into the following Vaughan Vision 20/20 Goals and Objectives:

Goal: Service Excellence
 Objective: Demonstrate Excellence in Service Delivery
 Objective: Promote Community Safety, Health & Wellness

Goal: Organizational Excellence
 Objective: Ensure Financial Sustainability
 Objective: Manage Corporate Assets

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Regional Implications

Not applicable

Conclusion

Public Works, Fleet Management and Purchasing Services staff has reviewed the bid submissions and have determined that Amaco Construction Equipment Inc. has met the requirements of the tender specifications. Therefore, tender T13-339 should be awarded to Amaco Construction Equipment Inc. The purchase of a Gradall is expected to eliminate costs for contracted services in multiple Roads Division Business Units. Based on the net savings, it is projected that repayment of funds to the Innovation Reserve will occur within a 4 year period. Further savings will be realized by the City with the elimination of contracted service costs in various other Roads business units going forward.

Having the ability to perform ditching and roadside vegetation maintenance work in-house, improves efficiency and effectiveness of road maintenance operations by eliminating the need to schedule and coordinate contracted services.

Attachments

N/A

Report prepared by:

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