

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF DECEMBER 11, 2017

Item 3, Report No. 14, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on December 11, 2017.

3 MULTI-YEAR FIRE APPARATUS PURCHASE AGREEMENT

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Deputy City Manager of Community Services and the Fire Chief, dated December 4, 2017:

Recommendation

The Deputy City Manager of Community Services and the Fire Chief, in consultation with the Director of Procurement Services and the Director of Financial Planning and Development Finance and the Deputy City Treasurer, recommend:

1. That the City of Vaughan enter into a five (5) year agreement with one (1) year option to extend, with Safetek Emergency Vehicles ("Safetek" the exclusive Canadian distributor of Spartan Emergency Response, Smeal Fire Apparatus Co., and SVI Trucks) for the supply and delivery of Vaughan Fire and Rescue Services' Fire Apparatus; and
2. That the Director of Procurement be authorized to finalize and sign any necessary agreements.

Contribution to Sustainability

Safetek is a leader in Green Technology and is in compliance with the City's stated goals of pursuing technologies that are beneficial to the environment.

The use of Green Power equipped fire-rescue vehicles supports the City's Community Sustainability and Environmental Master Plan, Green Direction Vaughan, in several areas, including but not limited to:

Goal One – "What We Use". This technology significantly reduces our use of natural resources and the amount of waste generated (carbon emissions).

Goal Five – "How We Lead". To be a leader on sustainability issues.

Goal Six – "How We Operate". To effectively implement the Community Sustainability and Environmental Master Plan.

Further information regarding the positive environmental impacts of procuring these products are provided in the body of this report.

Economic Impact

As a growing municipality the City of Vaughan will be making significant investment in its Fire Service fleet for both new and replacement apparatus. Inclusive of open projects and forecasted projects to 2020, the City is expected to spend approximately \$8.1 million on such purchases. The proposed single source agreement is expected to generate financial benefits to the City in the form of discounted pricing, price escalation certainty and ongoing maintenance savings. Over the following three to four years, it is expected that these savings would equate to approximately \$0.3 million in capital reductions and \$0.5 million in operational savings.

Communications Plan

The report is available publicly on the Agenda, Minutes & Extract page of the City's website (www.v Vaughan.ca).

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF DECEMBER 11, 2017

Item 3, Finance Report No. 14 – Page 2

Purpose

To seek approval from Council on a long-term agreement with Safetek Emergency Vehicles ("Safetek" the exclusive Canadian distributor of Spartan Emergency Response, Smeal Fire Apparatus Co., and SVI Trucks) for the supply and delivery of Vaughan Fire and Rescue Service Fire Apparatus.

Background - Analysis and Options

Vaughan Fire and Rescue Services (VFRS) has an expansive fleet that has grown over time with Safetek as a key supplier

The current VFRS fleet consists of twenty-eight heavy-duty Fire and Rescue apparatus. In the past, the City was an original partner in the York Region Fire Cooperative Purchasing Program, which issued Requests for Proposals for the supply of various models of fire apparatus for various municipalities in the Region, and was active for several years. Over the past 17 years, the City has purchased approximately twenty fire apparatus units through Safetek (Spartan, Smeal Fire Apparatus and SVI Trucks). Currently, twenty-five of the twenty-eight fire trucks in the fleet have been manufactured by Safetek; equating to nearly 90% of the fleet. Since 1998, all of the vehicles purchased have come from Safetek with the exception of one vehicle purchased in 2007 from Dependable Truck. VFRS currently typically single sources new apparatus and refurbishments from Safetek through their US Vendors¹.

Fire apparatus currently cost between \$0.7 million and \$1.6 million CDN depending on ULC and NFPA and other regulatory standards, technology advancements, ladder sizes and the value of the Canadian Dollar vs. the US Dollar (USD). The average lifecycle for these pieces of equipment is between 15 - 20 years, while refurbished at the ten to twelve year mark can extend the useful life by an additional five to eight years. These refurbishments currently cost approximately \$0.2 million CDN.

Rising costs for fire apparatus has necessitated consideration towards ways to mitigate price escalation risk

Over the past five years, the City of Vaughan has purchased 7 Fire and Rescue apparatus. The costs for these trucks have risen on average by 3% per year or 16% over the five years, due to rising input costs (material, labour), more stringent emission regulations, and changing ULC and NFPA² standards. In addition, foreign exchange rate fluctuations have caused further increases to the cost of fire trucks, resulting in amendments to the capital budgets for those purchases. As costs continue to escalate, the pressure on funding has increased creating pressure on the fire infrastructure replacement reserve balance.

In response to these cost pressures, Safetek presented the City of Vaughan a potential opportunity for savings of approximately 5% to 7% off the USD cost of their fire apparatus. This offer requires the City of Vaughan to enter into a 5-year agreement with Safetek as a single-source supplier. There would be no minimum purchases required during that 5-year period.

Staff believe that a long term Single Source Agreement is the most optimal way to reduce capital costs

1 There are no Canadian manufacturers of custom fire-rescue chassis' or aerial ladders. All custom chassis and aerial ladders must be sourced from the US.

2 NFPA and ULC standards are reviewed and revised on a 5-year cycle.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF DECEMBER 11, 2017

Item 3, Finance Report No. 14 – Page 3

By entering a multi-year single source agreement with Safetek, the City can take advantage of discounted pricing and garner additional benefits that include:

- A price justification that includes a base line specification and pricing
- Price certainty for new orders throughout the duration of the agreement with an embedded defined “price escalation” clause to guarantee pricing levels.
- Elimination of most purchasing administration costs, which can be substantial for public bids.

The challenge in a single-source model is to maintain market competitive pricing during the term of the agreement, therefore staff took steps to carefully analyze the proposal to arrive at the recommendation for a long term agreement. Safetek has consistently demonstrated its ability to: Meet its obligations, expectations and objectives, deliver the product(s) in a competitive manner, and create cost savings, value for money and innovation.

Staff believe the purchase of fire apparatus from Safetek would enable the City to continue to minimize transition costs and challenges associated with personnel training, maintenance and operating costs and the purchase and storage of spare parts. Safetek has the experience, reputation and qualifications that staff believes offer the City the “*best value*” based on design, experience, price, delivery and after-the-sale support including service, OEM and aftermarket parts and warranty.

Staff conducted an analysis to assess the validity of single sourcing fire apparatus and found it to be a positive benefit to the tax payer

A “Net Present Value” analysis was performed by staff, whereby Safetek’s proposal was compared against a market competitor to arrive at the relative discounts received. Both capital and operating impacts were considered over the term of the proposed contract term. The analysis revealed that, based on the discount price being made available by Safetek, approximately \$0.3 million in capital savings could be achieved over just the first three year period of the contract. It should be noted that there are very few competitors in the market for fire apparatus and therefore the validity and reliability of such a comparison is considered to be high compared to a market in which a large variety of suppliers may exist.

Operational efficiencies would be achieved through the proposed long term single source agreement

In addition to the capital savings from the price discounts, there would be ancillary operational cost savings from a single source agreement such as a reduction in training costs, technical assistance, inventory management, brokerage fees, a revenue generating warranty centre, and the fuel savings from Safetek’s use of green power technologies that reduce fuel expenses from engine idling. The operational savings could yield approximately \$0.5 million in savings over the next four years. Below is a brief descriptions of the efficiencies that would be achieved.

Training Costs: All City of Vaughan fire apparatus are currently purchased from Safetek. If the City changed vendors, a need would arise to increase training for firefighters and mechanics. Standardized vehicles would eliminate the need for manufacturer specific training. Training for firefighters would also be reduced to a 4-hour in-service review, from a 25-hour course.

Free technical training conducted by Safetek: This would avoid the need to find a consultant to help train staff. Safetek would offer on-going Original Equipment Manufacturer (OEM) training for both mechanical and training staff. For the City to conduct this training on its own would require three staff.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF DECEMBER 11, 2017

Item 3, Finance Report No. 14 – Page 4

Reduced inventory levels synergies: Being able to use some of the same parts for different vehicles would provide flexibility in maintaining lower inventory levels. VFRS' parts inventory for Spartan/Smeal fire apparatus is calculated to be approximately \$0.25 million. Supplying parts for another brand of vehicle would inevitably result in significant startup costs and inventory maintenance costs.

Just-In-Time Inventory: Safetek, through its subsidiary Profire Emergency Equipment (Profire), would offer just-in-time parts for Spartan, Smeal and SVI fire apparatus. Profire stocks and distributes over 4,200 parts from 300 manufacturers from two-customer service centres in Canada. The current value of their parts inventory is more than \$1.5 million. In most cases, they have the part VFRS requires within 48 hours, which would continue reducing downtime and maximize the efficiency of the Fire-Rescue fleet. This is a unique feature to Safetek's service offering.

Revenue Generation through Warranty Centre for Smeal trucks: As a result of entering in to this agreement with Safetek, the company would continue allowing the City to be a warranty centre for Smeal Vehicles, which will continue to create additional annual revenue for VFRS.

Cost Savings through Vendor Payment for Brokerage Fees for parts: The proposed agreement with Safetek would see them paying the brokerage fee for parts, which would provide savings to the City.

Customer Service: Safetek offers immediate customer support for any issues with their vehicles. They provide 24-hour assistance and have a strong working relationship with VFRS mechanics, which helps to reduce downtime, thereby increasing efficiency.

Safetek is a leader in the industry and has similar agreements in several Canadian municipalities

Established in 1993, Safetek is the exclusive Canadian distributor of Spartan Emergency Response, Smeal Fire Apparatus and SVI Trucks, a leading provider of emergency vehicles and services that deliver superior design, efficiency and value to customers across Canada. They have a proven record and there are more than 1,000 Safetek-delivered fire-rescue apparatus in service across Canada.

A growing number of municipalities from across Canada have chosen to either single source or enter multi-year purchasing agreements for the supply and delivery of fire-rescue apparatus from Safetek, including but not limited to:

<u>Ontario:</u>	<u>Alberta:</u>	<u>British Columbia:</u>
Toronto	Edmonton*	Vancouver*
Markham*	Calgary *	Fort St. John
Richmond Hill		Saanich
Burlington		Delta
Barrie*		Coquitlam*
Ajax		
Pickering		
Sault Ste. Marie		

*Municipalities that currently have long term single source agreements

EXTRACT FROM COUNCIL MEETING MINUTES OF DECEMBER 11, 2017

Item 3, Finance Report No. 14 – Page 5

Several other qualitative considerations were made in the analysis of the proposed long term agreement

Fleet standardization was a key factor in the qualitative analysis of the proposal. Standardization of vehicle platforms that comprise a fleet offers reduced costs and operational benefits, including, but not limited to, improved maintenance servicing, ease of technician training, technical knowledge, streamlined parts and fluids inventories, enhanced operational efficiency, and driver safety. Reductions in apparatus variation which increases the operational efficiency of fire-rescue services', reducing training costs, lower administrative costs, time and effort in procurement, lower inventory costs, higher product quality (ease of tracking vendor performance and quality), maximum leverage during negotiations concerning price, delivery etc.

Warranty coverage is also an important consideration in the context of highly specialized and high cost equipment. Safetek offers superior warranty coverage for its vehicles:

- a. Apparatus – 2 Years
- b. Chassis – 2 Years
- c. Cab Paint/Corrosion - 10 Years
- d. V-Mux Electrical System – 4 Years
- e. Powertrain (engine / transmission) – 5 Years
- f. Chassis frame – 5 Years
- g. Body Structural – 10 Years

The offering a "Rewards" program was also viewed as a positive aspect of the proposal. Since November 2015, the City has been enrolled in the Safetek Advantage Rewards Program. The City would continue to receive rewards based on most purchases (parts and service) and a credit memorandum would be calculated annually ending on December 31st each year. The credit memo may be used by the City for the purchase of Safetek goods and services or applied to the balance due at the time of new Apparatus delivery. For example in 2016, the City received a credit of \$2,110 from the Rewards program.

Another important consideration, and in line with the City's Green Direction, is that Safetek apparatus are equipped with Green Power Anti-Idle Technology (APU) that is designed to significantly reduce the idle time of the main chassis engine and reduce vehicle emissions by up to 20%. Additionally, fuel savings of up to 23% are being realized by some customers, including Toronto. Toronto Fire Service adopted this technology in 2010 and now operates six aerial trucks equipped with Green Power Anti-Idle technology, with four more units currently on order and scheduled to be delivered in 2017. A calculation using identical trucks without this system shows a 23% reduction in fuel use with the system. No other manufacturer has the Green Technology that Safetek possesses. There are approximately one hundred Green Power equipped fire-rescue vehicles operating across Canada. VFRS adopted this technology in 2014 and currently operates two Green Power equipped apparatus.

Relationship to Term of Council Service Excellence Strategy Map (2014-2018)

The proposed agreement directly aligns with the Term of Council Priorities, specifically:

- Invest, renew and manage infrastructure and assets;
- Operational Performance – Effective Service Delivery; and
- Operational Performance – Continuous Improvement

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF DECEMBER 11, 2017

Item 3, Finance Report No. 14 – Page 6

Regional Implications

There are no regional implications associated with this report.

Conclusion

It is recommended that City of Vaughan enter into a multi-year single source agreement with Safetek Emergency Vehicles for the supply and delivery of fire-rescue vehicles as there are cost savings opportunities and operational benefits to procuring from the one vendor. Safetek has a demonstrated record of success of sales and a growing list of municipalities who enter into multi-year agreements or single- source for the supply and delivery of their fire-rescue apparatus.

Attachments

N/A

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