

Request for Decision

Snow Plowing for Winter Controls - Term of Contract

Presented To: Finance and
Administration
Committee

Presented: Tuesday, Feb 11, 2020

Report Date Tuesday, Jan 28, 2020

Type: Managers' Reports

Resolution

Resolution #1

THAT the City of Greater Sudbury authorizes the Award of contract ISD 19-70 – Part A, “Winter Operations Snow Plowing Services”, to Pioneer Construction Inc. at an estimated annual cost of \$ 980,000, for an eight-year term of contract with two single-year extension options, as outlined in the report “Winter Control Plowing Services – Contract Award” from the General Manager of Growth and Infrastructure at the Finance and Administrative Committee Meeting of February 11, 2020.

Resolution #2

THAT the City of Greater Sudbury authorizes the Award of contract ISD 19-70 – Part B, “Winter Operations Snow Plowing Services”, to Belanger Construction (1981) Inc. at an estimated annual cost of \$ 598,500, for an eight-year term of contract with two single-year extension options, as outlined in the report “Winter Control Plowing Services – Contract Award” from the General Manager of Growth and Infrastructure at the Finance and Administrative Committee Meeting of February 11, 2020.

Resolution #3

THAT the City of Greater Sudbury authorizes the Award of contract ISD 19-70 – Part C, “Winter Operations Snow Plowing Services”, to Belanger Construction (1981) Inc. at an estimated annual cost of \$ 598,500, for an eight-year term of contract with two single-year extension options, as outlined in the report “Winter Control Plowing Services – Contract Award” from the General Manager of Growth and Infrastructure at the Finance and Administrative Committee Meeting of February 11, 2020.

Signed By

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Division Review

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Financial Implications

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Recommended by the Department

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Relationship to the Strategic Plan / Health Impact Assessment

This report refers to operational matters.

Report Summary

One of the three existing snow plowing services contracts (ISD 12-18) is scheduled to expire at the end of the 2019/2020 winter season (March 31st, 2020). To ensure continuity of plowing services and to allow the successful vendors sufficient time to secure new equipment, staff is seeking Council approval to award contract ISD19-70 "Snow Plowing for Winter Control Operations" for an eight-year term. The contract specifies that the service providers would be required to procure 22 new multi function trucks to be utilized on an "on demand" basis for winter road maintenance services within the City of Greater Sudbury and to also provide pricing options for both a five-year and eight-year term of contract each including two single-year extensions. The results of the procurement are included in the analysis section of this report (table 1) and suggests that the pricing for the eight-year term of contract with up to two single-year extensions is the most cost effective approach for these services.

Financial Implications

The contract services portion of the City's current winter control plan utilizes an "on demand" approach and as such the costs can fluctuate significantly based on weather events. The budget is formulated based on contract rates and average utilization. The 2020 financial results will vary depending on the weather however the average 13% rate increase could lead to a \$125,045 deficit for the November and December periods of 2020, when the new contract commences. This figure is estimated using the 2020 budgeted hours per truck under the current contract. Using the same approach, the updated unit pricing will be incorporated into the 2021 Base Budget and could result in an approximate \$357,000 increase to the 2021 Budget for Plowing and Standby costs.

The current contract was subject to a fixed rate for the first 5 years, and a CPI increase in each of the two option years. Furthermore, the new contract would reflect a fixed rate for 8 years, with the two one-year options subject to CPI, if applicable. Table 1 reflects the summary of contractor bids for ISD19-70. The average unsuccessful unit rate bid reflects an increase of 92% over the current rate. Given the nature of the "on-demand" service and the length of the contract, numerous factors such as economy and weather further increase the risk of the contract.

Over expenditures resulting from Winter Control activities are typically funded from the Winter Control Roads Reserve Fund. This reserve was depleted as of December 31, 2018 and any over expenditures for 2020 (in Winter Maintenance) will form part of the year-end position and may be funded from the Tax Rate Stabilization Reserve.

Winter Control Snow Plowing Services – Contract Award

Background:

The City of Greater Sudbury utilizes a combination of City and contract resources to maintain its road network during the winter months. Currently, there are three different contracts in place to ensure staff have enough contracted equipment to achieve the goals of the approved service levels for winter road plowing/sanding/salting (see table 2 for details). The current operational model has 42% of roadway snow plowing routes completed by City personnel with the balance or 58% completed with contracted services. To ensure that our contracted services are available when required, the City utilizes a standby system for the period commencing November 15th up to and including March 31st each winter season. During that period of time, contract services are utilized on an “on demand” basis for winter road maintenance. The above noted approach ensures staff has sufficient City personnel to deliver not only snow plowing services but also the winter maintenance programs the City currently offers.

The largest of the three plowing services contracts is scheduled to expire at the end of this winter season (March 31st, 2020). In response to that need, staff prepared a tender (ISD19-70 “Snow Plowing for Winter Control Operations”) that included the procurement of 22 new multi function trucks to be utilized on an “on demand” basis for winter road maintenance services within the City of Greater Sudbury. The new contract (ISD19-70) can be viewed in its entirety at the following link:

<https://greatersudbury.bidsandtenders.ca/Module/Tenders/en/Tender/Detail/1dde5482-a461-4591-814e-a37bfdd199eb>

The procurement period for these new multi function trucks by the service providers is estimated to take eight months, therefore the tender process was initiated substantially earlier than the expiration of the current contract (March 31st, 2020) and/or expected time this new contract will commence which is November 15th, 2020.

Analysis:

Summary of Bids

On January 7th, 2020 the tender for contract ISD 19-70 “Snow Plowing for Winter Control Operations” closed. The contract resulted in interest from four different vendors. The contract included pricing for both a five-year and eight-year contract term with two single year extensions. The summary of the bids is contained in Table 1.

Table 1 – Summary of Contractor Bids

Bidder and Part	5 + 2 Year Contract Term	8 + 2 Year Contract Term
Part A		
Bélanger Construction (1981) Inc.	\$1,015,000	\$997,500
Emcon Services Inc.	\$1,558,165	\$1,492,540
Ferrovial Services Canada Ltd.	\$2,254,000	\$2,089,500
Pioneer Construction Inc.	\$997,500	\$980,000
Part B		
Bélanger Construction (1981) Inc.	\$609,000	\$598,500
Emcon Services Inc.	\$1,001,826	\$933,198
Ferrovial Services Canada Ltd.	\$1,587,600	\$1,505,700
Pioneer Construction Inc.	\$735,000	\$722,106
Part C		
Bélanger Construction (1981) Inc.	\$609,000	\$598,500
Emcon Services Inc.	\$996,912	\$928,284
Ferrovial Services Canada Ltd.	\$1,587,600	\$1,505,700
Pioneer Construction Inc.	\$659,211	\$647,850

The total contract prices highlighted in Table 1 reflects the cost of production hours, using an average of the current contract for the past 5 years.

Scope Changes from Previous Contract

The tender document was prepared similar to previous contracts with two notable changes. The number of plows required under this contract was increased from 21 to 22 and pricing options for a five-year and eight-year contract term with extensions was to be included.

The first change in contract ISD 19-70 "Snow Plowing for Winter Control Operations" is the number of plows the City requires. Staff have added an additional unit to ISD19-70 in order to address an equipment shortfall in another winter control contract. The bid results for two plow/sand trucks of another awarded winter control contract (ISD19-103) were exorbitant and therefore staff chose not to award those two pieces of equipment. By finding synergies in operations, staff were able to reduce the total number of necessary contracted equipment by one. For the other unit, staff are utilizing an older City owned truck on an interim basis (single winter season) prior to testing the market once again through contract ISD19-70 and addressing the equipment shortfall.

Table 2 highlights the number of pieces of equipment that were included in each of the three snow plowing contracts that are utilized by Linear Infrastructure Services. ISD19-70 yielded an approximate 17% reduction in the unit price bid compared to price bid for the plow/sand truck in ISD 19-103.

Table 2 – Summary of Winter Control Contract Units

Contract	Previous Contract # of Units	Proposed/Current Contract # of Units	Expiry Date of Current Contract
Winter Control Operations - Snow Plowing (ISD19-70)	21	22	3/31/2020
Supply & Operation of Snowplowing Equipment for Lanes, Cul-de-Sacs and Municipal Parking Lots (ISD17-257)	10	10	11/15/2020
Summer & Winter Grading Operations (ISD19-103)	9	7	10/31/2022
Total	40	39	

The second scope change involved the addition of an eight year contract term with a potential two single-year extensions. In the past two contracts, a contract term of five years with two single-year options was awarded and in both cases the option years were utilized. In 2019, the Auditor General presented a report to the Audit Committee titled “Performance Audit of Winter Maintenance Programs for Roads” which recommended that the next time staff tendered for this contract to include an option for an eight-year term with two single-year options which would align the contract duration more closely with the expected useful service life of the multi function trucks being sought in the procurement. Staff agreed with the audit recommendation and as such prepared a pre-qualification and tender package to replace the expiring contract (ISD 12-18) for “Winter Operations Snow Plowing Services” with both a five-year and an eight-year term of contract with two single-year options. Both contract term options were further subdivided into Part “A” (ten multi function trucks for the South and SW Sections), Part “B” (six multi function trucks for the NW and NE Sections) and Part “C” (six multi function trucks for the SE Section).

Comparison of In-House Plowing Services versus Contract Services

Staff completed a business case to ensure the current “on demand” approached used with contract plowing was the most cost effective way to deliver these services. “On demand” services are the type of services where staff has the ability to call in Contractors to operate snow plows on an as needed basis during a winter event. As noted earlier, the Contractor completes 58% of the routes and the City completes the balance. The chart included in Appendix A highlights the results of the financial analysis and demonstrates that

the cost of City delivered services is more expensive than that of the Contractors due to the "on demand" approach. The annual savings per route with the City's current approach of using "on demand" Contractor plowing for the 22 routes included in contract ISD19-70 "Snow Plowing for Winter Control Operations" is \$79,059 per route, per year or \$1,739,303 for all 22 routes (assuming the City is using a 16-5 schedule).

On the other hand, if the City were inclined to offer snow plowing services with the same "on demand" approach, the savings realized by the City diminish as the production hours (plowing) increase and in actual fact at approximately 430 service hours, becomes a viable option to consider. Based on staffs findings and understanding that the five year average of snow plowing usage (including standby) paid to the Contractor is 400 hours, the current approach saves the City \$6,697 per route, per year or \$147,333 for all 22 routes. As shown in the chart in Appendix A, the current approach of using "on demand" contract plowing with standby for the Contractor's portion of the City's plowing services is the most economical way to deliver these services.

Potential Service Level Changes with Contracting In Snow Plows

If the City was to contract in any/all of the Contractor's routes with either the 16-5 or 16-7 schedules, the change would result in additional labour hours to enhance current services and/or minimize use of Contractors for winter activities. Assuming the average usage including standby was 400 hours for contracted snow plowing services, the residual labour hours for the 16-hour five day or 7 day schedule would be 1,830 hours or 2,745 hours respectively for each route. The extra hours would be available during the winter months and would potentially allow staff to utilize in house crews for activities such as snow removal, pothole patching and road scraping (ice blading) which are currently being completed by a mix of in house staff and contractors.

The recently tabled "Contracting-In Update" report provides details on the status of contracting in initiatives currently being reviewed and/or underway in Linear Infrastructure Services. The report can be seen in its entirety at the following link:

<https://agendasonline.greatersudbury.ca/index.cfm?pg=agenda&action=navigator&id=1346&itemid=16963&lang=en>

Conclusion and Next Steps

In all instances, the eight-year term of contract with two single-year options yielded a 1.75% lower rate than the five-year term of contract. Given that contract pricing is firm (excluding fuel escalation) for the first eight years and that the City will only consider increases to the maximum of CPI in the option

years, if approved, the City will be realizing stable contract pricing for up to a decade of “on demand” winter road maintenance services in an unpredictable economic climate.

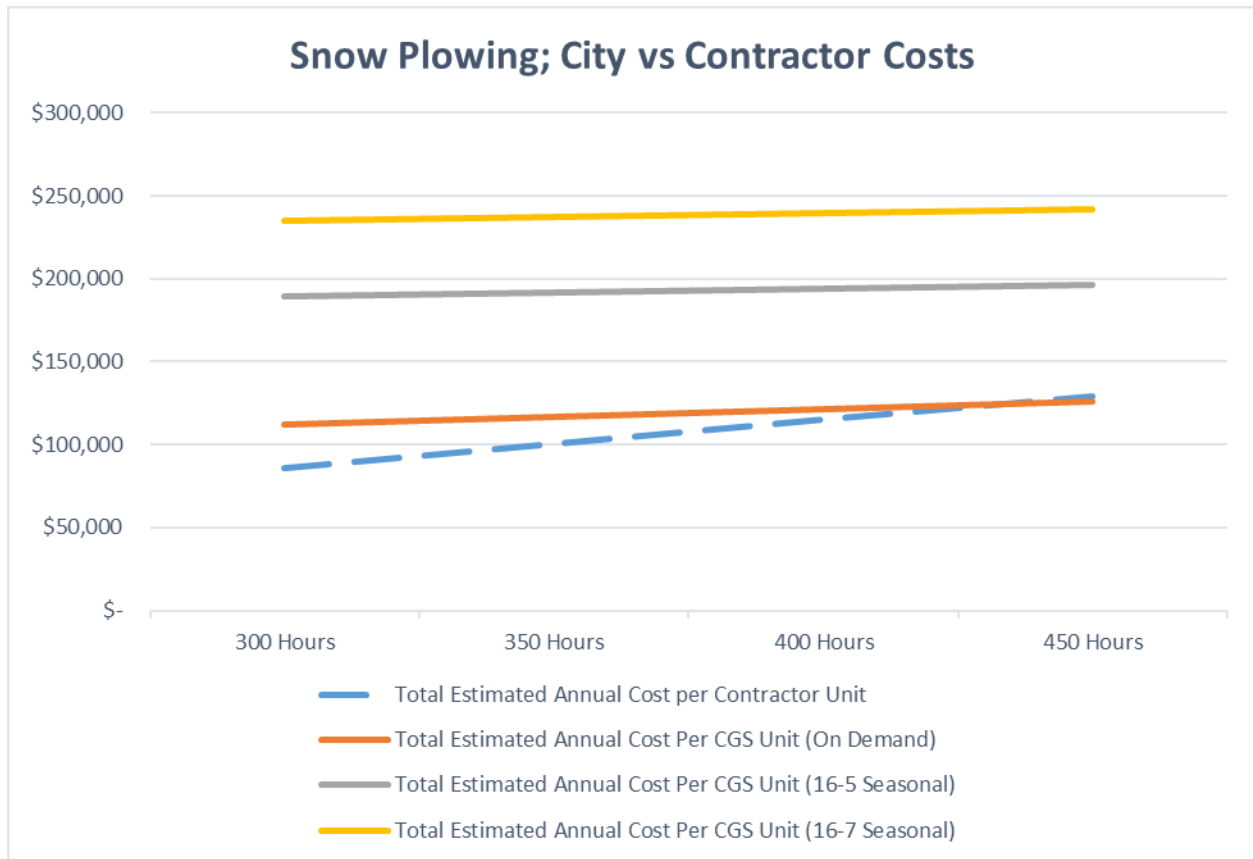
Furthermore, the analysis demonstrates the current approach with contract services (“on demand”) represents best value at this time without limiting the City's ability for future analysis and potential adjustment of the mix of in-house versus contracting-out services for snow plowing/sanding/salting our roadways across the City.

Accordingly, staffs seeking Finance and Administration Committee's approval to award ISD19-70 “Snow Plowing for Winter Control Operations” for an eight-year term of contract with two-single-year options to the lowest compliant bidder(s).

Winter Control Snow Plowing Services – Contract Award

Appendix A - Financial Analysis

“On Demand” Plowing Services (City versus Contractor), 16-5 Schedule Seasonal Services (City) and 16-7 Schedule Seasonal Services (City)



Notes:

- 1) The above noted chart does not include the capital costs associated with purchasing new plows.
- 2) The Contractor costs include:
 - a. Cost for production hours based on the average unit rate bid in contract ISD19-70
 - b. Standby costs (one hour per day November 15th until March 31st each winter season for each day not in production)
- 3) The City costs include:
 - a. Equipment costs for the snow plow including fuel, maintenance, and capital contribution
 - b. Labour (single operator for “on demand”, two operators for a 16-5 schedule, and three operators for a 16-7 schedule). Estimates are reflective of rates in the collective bargain agreement and estimated overtime paid annually.
 - c. Supervision and supervisor's vehicle