

## 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 15<sup>th</sup> up to and including March 31<sup>st</sup> 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 31<sup>st</sup>, 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 31<sup>st</sup>, 2020) and/or expected time this new contract will commence which is November 15<sup>th</sup>, 2020.

### Analysis:

#### Summary of Bids

On January 7<sup>th</sup>, 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
<b>Part A</b>		
<b>Bélanger Construction (1981) Inc.</b>	\$1,015,000	\$997,500
<b>Emcon Services Inc.</b>	\$1,558,165	\$1,492,540
<b>Ferrovial Services Canada Ltd.</b>	\$2,254,000	\$2,089,500
<b>Pioneer Construction Inc.</b>	\$997,500	<b>\$980,000</b>
<b>Part B</b>		
<b>Bélanger Construction (1981) Inc.</b>	\$609,000	<b>\$598,500</b>
<b>Emcon Services Inc.</b>	\$1,001,826	\$933,198
<b>Ferrovial Services Canada Ltd.</b>	\$1,587,600	\$1,505,700
<b>Pioneer Construction Inc.</b>	\$735,000	\$722,106
<b>Part C</b>		
<b>Bélanger Construction (1981) Inc.</b>	\$609,000	<b>\$598,500</b>
<b>Emcon Services Inc.</b>	\$996,912	\$928,284
<b>Ferrovial Services Canada Ltd.</b>	\$1,587,600	\$1,505,700
<b>Pioneer Construction Inc.</b>	\$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
<b>Total</b>	<b>40</b>	<b>39</b>	

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).