



## CITY OF VANCOUVER

### ADMINISTRATIVE REPORT

Report Date: June 24, 2005  
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CC File No.: 1805  
Meeting Date: July 12, 2005

**TO:** Vancouver City Council

**FROM:** General Manager of Engineering Services and Manager of Materials Management

**SUBJECT:** Renewal Option - Contract PS01019, Supply of Ready-Mixed Concrete

#### RECOMMENDATION

- A. THAT, subject to the conditions set out in Recommendations 8, C and D, Council authorize the exercise of the renewal options to extend the existing agreements with Lafarge Construction Materials Ltd. and Ocean Construction Supplies Ltd. for ready-mixed concrete picked up by City vehicles from suppliers depots and Kask Bros Ready Mix Ltd. for readymixed concrete delivered to City job sites for an additional 12-month period from July 14, 2005 to July 13, 2006, at an estimated annual cost of \$2,318,045 plus the GST (less any municipal rebate received) and PST (where applicable) on the terms and conditions set out in this Report and such other terms and conditions as are satisfactory to the Director of Legal Services, the General Manager of Engineering Services and the Manager of Materials Management.*
- B. THAT the extension agreements are to be in a form which is satisfactory to the Director of Legal Services, the General Manager of Engineering Services and the Manager of Materials Management.*
- C. THAT upon approval of each extension agreement by the Director of Legal Services, the General Manager of Engineering Services and the Manager of Materials Management, that the Director of Legal Services and the General Manager of Engineering Services be authorized to execute and deliver that extension agreement on behalf of City Council.*

- D. THAT no legal rights or obligations will be created or arise as a result of Council's approval of Recommendations A, B and C, unless and until and then only to the extent that each contemplated extension agreement has been executed and delivered by the Director of Legal Services and the General Manager of Engineering Services.*

## COUNCIL POLICY

*The Policy of Council is to award contracts for the purchase of equipment, supplies and services that will give the highest value based on quality, service and price.*

*Contracts with a value over \$300,000 are referred to Council for award.*

## BACKGROUND

On May 15, 2001 Council awarded 12-month contracts to Lafarge Construction Material Ltd. and Ocean Construction Supplies Ltd. for ready-mix concrete picked up by City vehicles from supplier's depots. A contract was also awarded to Kask Bros Ready Mix Ltd. for the delivery of ready-mixed concrete to City job sites as and when required.

The contracts provide for four 12-month renewal options, by mutual consent between the City and the contractors. The renewal options also provide for a price adjustment, at the end of each 12-month period, subject to documented proof of manufacturers raw material cost or any other factors related to this product which can be verified with an independent published source.

## DISCUSSION

This is the fourth and final 12 month renewal. Lafarge Construction Materials Ltd. is requesting an average increase of 9%. Raw material costs have increased due to fuel surcharge imposed by suppliers. Kask Bros. Ready Mix Ltd. has requested an average price increase of approx 14% per cubic metre to extend for the last 12-month period due to increased raw material costs as well as increasing fuel costs. Both Kask and Lafarge have requested an increase in the environmental levy from \$3.00 to \$4.00 per cubic meter based on more stringent environmental regulations and their desire to remain an environmental leader in their community.

Ocean Construction Supplies has requested an average price increase of \$3.00 (approx 3%) per cubic metre based on increased raw material due to fuel surcharges from suppliers. Ocean has also requested an increase in the environmental levy from \$2.50 per cubic metre to \$3.00 per cubic metre due to increased plant maintenance required to meet more stringent environmental regulations. Documentation provided by all three companies has been reviewed and recommended for approval.

It is estimated that the 2005 contract extensions will result in costs of \$599,820 for ready-mixed concrete to be picked up by City vehicles from Lafarge Construction Materials Ltd. and Ocean Construction Supplies Ltd., and \$1,718,225 for ready-mixed concrete delivered to job sites by Kask Bros Ready Mix Ltd. The total value of the ready mixed concrete is estimated to be \$2,318,045.

#### **FINANCIAL IMPLICATIONS**

The overall estimated cost for the supply and delivery of ready-mixed concrete has shown an increase from \$2,122,206 in 2004 to \$2,318,045 in 2005. A slight change to the estimated quantities and price increases will result in a 9.23% price increase overall. Generally, ready-mixed concrete is used for Waterworks, Sewers and Streets capital and maintenance work. Ready mixed concrete is ordered on an as needed basis for each particular job site. On some occasions operating budget and capital budget funding is used for the same delivery as new capital work and maintenance work is taking place in the same location. The concrete for each is charged to specific work orders. Therefore, these purchases are funded from a variety of sources, i.e. 2005 Streets and Sewers Operating Budget, 2005 Streets, Waterworks and Sewers Basic Capital, 2005 Water Utility Fees and 2005 Sewer Utility Fees.

#### **ENVIRONMENTAL IMPLICATIONS**

The increasing demands on the environment and issues surrounding the use of ready mixed concrete have led Kask Bros. Ltd. and Lafarge Construction Materials Ltd. to install self-contained wash out systems on their transit mixer vehicles in order to eliminate the need to wash out on site. Both wash water and aggregates are recycled at Kask and LaFarge's wastewater treatment facility. The target for both companies is to re-use and recycle 100% of the product produced when delivery trucks are cleaned.

#### **CONCLUSION**

As Lafarge Construction Materials Ltd., Ocean Construction Supplies Ltd. and Kask Bros. Ready-Mix Ltd. have been satisfactory suppliers, it is recommended that the City exercise the renewal options and enter into new contracts with each supplier effective July 14, 2005 through to July 13, 2006 at an estimated 12-month cost of \$2,318,045.

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