



# A3

## ADMINISTRATIVE REPORT

Report Date: March 19, 2009  
Contact: Larry Fiddler  
Contact No.: 604.301.0354  
RTS No.: 07724  
VanRIMS No.: 08-2000-20  
Meeting Date: April 21, 2009

TO: Vancouver City Council

FROM: General Manager of Engineering Services  
Manager of Supply Management

SUBJECT: Award of Tender PS09004, Supply and Delivery of Mineral Aggregates

### *RECOMMENDATION*

- A. THAT subject to the conditions set out in Recommendations B, C and D, Council authorize the General Manager of Engineering Services and the Manager of Supply Management to enter into agreements with Mainland Sand & Gravel Ltd. and Lafarge Canada Inc. for the supply and delivery of aggregates for 2009, 2010 and 2011 at an estimated cost of \$13,294,240 plus GST (less any municipal rebate received) and PST (where applicable) with subsequent renewal options for two (2) additional one (1) year extensions as detailed in this report.
- B. THAT the Director of Legal Services be authorized to execute and deliver on behalf of the City all legal documents required to implement Recommendation A.
- C. THAT all such legal documents be on terms and conditions satisfactory to the General Manager of Engineering Services, the Manager of Supply Management and the Director of Legal Services.
- D. THAT no legal rights or obligations will be created by Council's adoption of Recommendations A, B and C above unless and until such legal documents are executed and delivered by the Director of Legal 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.

## ***SUMMARY***

Aggregates are used by City crews in both construction and maintenance of sewer, water and streets projects. Aggregates are delivered by barge to Kent Yard which is located adjacent to the Fraser River. Barging aggregates to Kent Yard eliminates the need to use approximately 100 large truck and transfer trailers for every barge delivery.

The current aggregate contract is due for renewal. A new public tender for the three year (2009 to 2011) supply and delivery of aggregates has been issued requesting fixed prices each year.

The recommendation is to award the various aggregate items to Mainland Sand & Gravel Ltd. and Lafarge Canada Inc. based on the best overall value.

## ***PURPOSE***

This report seeks Council approval to award the contract for the supply and delivery of aggregates for 2009 through 2011.

## ***BACKGROUND***

The City operates a construction material works yard on Kent Avenue in South Vancouver adjacent to the Fraser River. This location enables the City to receive large volumes of aggregates by barges which are offloaded by a modern conveyor system to stock piles. Each barge delivery eliminates approximately 100 large truck and transfer trailers. In 2008 the City received 90 barges.

Aggregate material is made from a variety of sand, gravel and crushed rock and is used for road building and backfilling sewer and water pipe trenches. The City's asphalt and concrete plants located in Kent Yard also use aggregates to make asphalt for new pavements and small orders of concrete.

The City is currently at the end of its three year contract with its suppliers and has the option of extending the contract with the suppliers with a negotiated price increase for a one (1) year term. Rather than extending the existing contracts, a new public tender was issued to gain competitive pricing from aggregate suppliers in the current market environment.

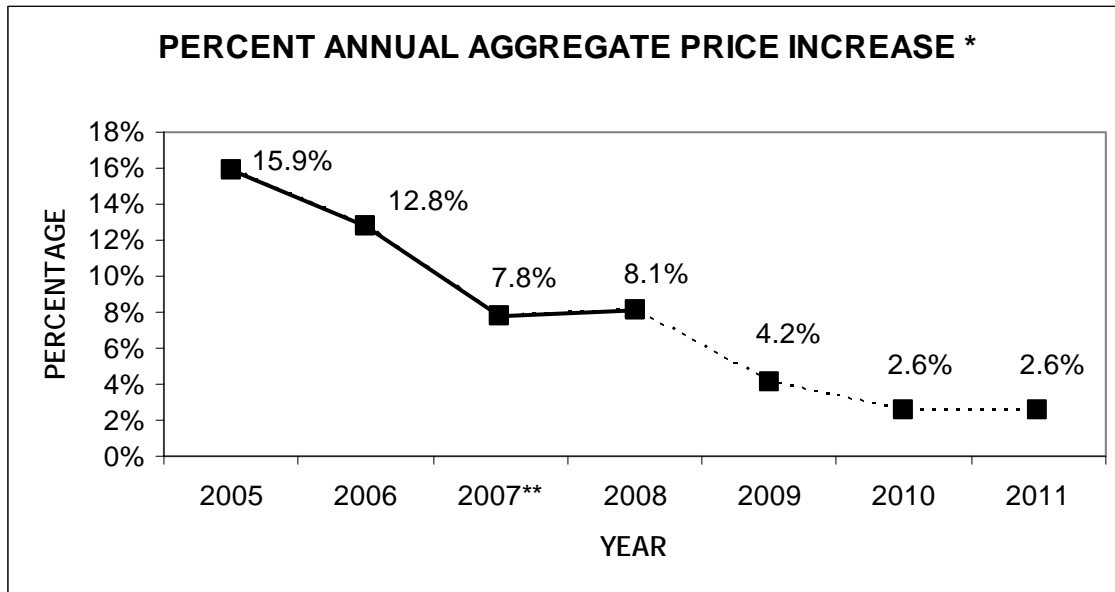
## ***DISCUSSION***

On January 21, 2009, the City issued an Invitation to Tender for the supply and delivery of aggregates. In addition to notifying incumbent suppliers to the City and other well known vendors, the tender was advertised on the City's and BC Purchasing Commission's websites as well as advertised in the Vancouver Sun. Four (4) bids were received and registered on February 18, 2009 and referred to the General Manager of Engineering Services and the Manager of Supply Management for evaluation and report.

The tender calls for fixed prices for each of the years 2009, 2010 and 2011 with the ability to renew for two (2) additional one (1) year periods. Alternatively, the City can accept the best value prices for 2009 and negotiate price increases each year. The three year fixed pricing option is recommended due to favourable pricing, certainty in cost and elimination of the risk of more substantial price increases. Uncertainty in future pricing can be attributable to the

cost for processing raw material, the cost of fuel and market demand. With current infrastructure projects planned in the United States, there continues to be a strong demand for British Columbia aggregates.

The following graph shows the previous price increases and the projected price increases for the upcoming years as quoted with the current tender.



\* Based on weighted average of all aggregate items

\*\* Price increase delayed due to job action. Increase not applicable to all items

The City received four (4) bids from local aggregate suppliers (Mainland Sand & Gravel Ltd., Lafarge Canada Inc., Jack Cewe Ltd., and Lehigh Materials). All bids were evaluated along with their ability to deliver items from their gravel pits to meet the City's operational requirements.

The City uses twelve different aggregate items in its construction projects. Item numbers referred to in this report and the tender refer to the City's aggregate specification list. Based on best value to the City, it is recommended to award contracts to Mainland Sand & Gravel Ltd. for items 1, 3, 4, 5, 9, 13, 14 and 15 and Lafarge Canada Inc. for items 7, 10, 17 and 21.

Lafarge Canada Inc. has the lowest overall price for item 5; however, because the City uses small quantities of this item, the City requires only partial barge deliveries of item 5 to be combined with another item to make a full barge. Lafarge does not have additional items awarded to them from the same gravel pit that supplies item 5, therefore they would only deliver a full barge load of item 5 which does not meet the City's operational requirements. It is recommended that item 5 be awarded to Mainland Sand & Gravel because they can combine delivery with other items awarded to them to complete a full barge load.

Mainland Sand & Gravel Ltd. has the lowest bid for item #17; however, their material does not meet City specifications. Therefore this item is to be awarded to Lafarge Canada Inc.

**FINANCIAL IMPLICATIONS**

It is recommended to award the following items for the supply and delivery of aggregates.

AGGREGATE ITEMS NO.	SUPPLIER	ESTIMATED CONTRACT VALUE 2009 TO 2011 (plus GST and PST where applicable)
1, 3, 4, 5, 9, 13, 14 and 15	Mainland Sand and Gravel Ltd	\$8,687,640
7, 10, 17 and 21	Lafarge Canada Inc.	\$4,606,600
TOTAL:		\$13,294,240

Contract value is based on estimated volumes only. Contract payments are based on actual volumes purchased. The annual estimated volumes of aggregates have increased significantly since the last tender in 2005.

The source of funds for all purchases of aggregates is the internal revenue from the Asphalt and Aggregate Plant operations sales to City departments. Aggregate sales from Kent Yard are based on a full cost recovery model which accounts for land, equipment and labour costs in addition to the cost of the aggregate. These costs are recovered from existing Capital and Operating Budgets through sales of aggregate to City departments.

**ENVIRONMENTAL IMPLICATIONS**

All aggregates are delivered by barge to Kent Yard. Each barge delivery eliminates the need for approximately 100 large truck and transfer trailer units on city and major regional roads.

**CONCLUSION**

The recommendation is to authorize agreements with Mainland Sand & Gravel Ltd. to supply and deliver aggregate items 1, 3, 4, 5, 9, 13, 14 and 15 and with Lafarge Canada Inc. to supply and deliver aggregate items 7, 10, 17 and 21 for 2009, 2010 and 2011.

\* \* \* \* \*