



A4

ADMINISTRATIVE REPORT

Report Date: July 17, 2012
Contact: Nick Kassam
Contact No.: 604.829.2097
RTS No.: 009704
VanRIMS No.: 08-2000-20
Meeting Date: July 24, 2012

TO: Vancouver City Council
FROM: Chief Purchasing Official
SUBJECT: Contract Extension for the Supply of Excavated Waste Hauling Disposal

RECOMMENDATION

THAT the City be authorized to enter into a contract extension for eighteen (18) months with an overall 3% increase (average 2% increase per annum) effective August 1, 2012, with Mainland Demo Contracting Ltd. ("Mainland") for the Supply of Excavated Waste Hauling Disposal at an estimated cost of \$2,450,000 plus applicable taxes based on annual historical volumes;

FURTHER THAT, subject to approval, the funding will be provided from the Kent Construction Supplies - Rubble Operations operating budget;

AND FURTHER THAT the Chief Purchasing Official and the Director of Finance be authorized to execute and deliver on behalf of the City all legal documents that are required to implement the foregoing recommendations.

REPORT SUMMARY

- a) The original Request for Proposal for a Supply of Excavated Waste Hauling & Disposal Agreement (the "RFP") was issued in 2007 and the City entered into a contract with Mainland for a term of a five years commencing on April 18, 2007. The Agreement expired on April 17, 2012 (the "Original Agreement").
- b) The Original Agreement gives the City the option to extend for two additional two year terms on the same terms and conditions save and except for contract price. This contract has assisted the City to improve the handling of rubble from its many small loads allowing for larger loads, efficient hauling, less truck traffic and reduced congestion. In a given year, approximately 23,000 trucks come into Kent

Yard from various jobs sites and approximately 6,600 trucks go outbound to the Vancouver Landfill in Delta.

- c) Mainland has met the business needs for safe operations on our sites and timely hauling of materials. It will take considerable resource capacity and extensive effort to complete a bid process for a new contract. In light of receiving what is felt to be a good value service the City is going to invest the resource capacity into reviewing the opportunity to go to market within eighteen (18) months. Furthermore the extension will give staff time to explore expansion of the contract to include additional services.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

As per the Procurement Policy (AF-015-01) Council approval is required for contracts with a value over \$2 million.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

The City Manager, General Manager of Engineering Services, Director of Financial Services and Chief Purchasing Official (collectively, the "Bid Committee") have reviewed and endorsed these awards.

REPORT

Background/Context

- a) The original RFP was issued in 2007 and the Original Agreement commenced on April 18, 2007 for the Supply of Excavated Waste Hauling & Disposal with Mainland.
- b) The Original Agreement expired on April 17, 2012. In February 2012 Engineering Services requested Supply Chain to look into contract extension.
- c) On March 22, 2012, Supply Chain Management and Engineering Services met with Mainland at Kent Yard to consider the vendor's request for an increase in the rate per metric tonne for hauling general rubble based on rising wages and general maintenance cost of the equipment.

Strategic Analysis

Mainland provided a number of reasons for the overall 3% increase over eighteen (18) months. These were compared to Statistics Canada data as an external validation.

Items	% increase from 2009 - 2011	% increase based on Statistics Canada
Driver's wage (\$21/\$22/hr. to \$23/\$24/hr.)	9.5%	*Operating expenses Increased an average of 8% during past two years*
Equipment maintenance costs (increase due to labor rate from \$70 - \$75/hr. and introduction of green technology - new EGR valves & exhaust monitoring equipment since 2006)	7%	8%
Insurance	10%	8%
Rent - commercial (includes storage, parking, etc.)	7%	8%
Diesel Fuel Cost per litre average 2009 - 2011 (\$0.93 - \$1.21)	30%	30%

*According to Statistics Canada the main operating expenses incurred by owner operators were fuel, other expenses and salaries, wages and benefits. Equipment maintenance, Insurance and Rent would be included in the "other expenses" category.

Statistics Canada shows that there has been a steady 4% increase per year (from 2009 to 2011) in operating expenses (which includes driver's wage, equipment maintenance costs, insurance, and rent.) and an average 30% increase in diesel fuel cost over the past two years.

Accordingly, the overall 3% increase over eighteen (18) months (average 2% increase per year) is still below the comparative Statistics Canada data.

Implications/Related Issues/Risk (if applicable)

Mainland is an incumbent vendor. The risk associated is considered to be low

Corporate Budgets have reviewed the financing for the work and concur that funding is available from the 2012 Operating Budgets.

Human Resources/Labour Relations

Not Applicable.

Environmental

With regard to the green technology, Mainland has always endeavored to keep its fleet of trucks and machineries in current and good working condition. Where possible, Mainland strives to replace its old and outdated trucks with newer models which have better fuel efficiencies and better exhaust controls.

Mainland's fleet of trucks is equipped with lightweight aluminum boxes and aluminum wheels. This ensures that the vehicle is lighter and thereby will produce lower emissions.

Mainland's fleet of trucks is equipped with 4 axle trailers which allow the trucks to move a greater amount of material in a shorter time span. The less time the trucks are on the road, the less impact on the environment. The fewer trips also assists the roads are less congested with truck traffic.

Before loading trucks, Mainland removes large concrete and rock to be left in Kent Yard for crushing and recycling.

Legal

No legal risk as the extension is to an existing contract. No terms or conditions will be changed other than price.

Other

None.

CONCLUSION

On the basis of the information provided herein, the adoption of this report is recommended.

* * * * *