

Report to Civic Works Committee

To: Chair and Members
Civic Works Committee

From: Anna Lisa Barbon, CPA, CGA
Deputy City Manager, Finance Supports

Subject: SS-2023-232 Single Source Purchase Hydro Excavator

Date: October 4, 2023

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the following actions **BE TAKEN** with respect to the single source procurement of one (1) Vactor TruVac HXX Hydro Excavation Truck:

- a) Approval **BE GIVEN** to execute a Single Source purchase in accordance with Section 14.4(g) of the City of London's Procurement of Goods and Services Policy;
- b) Single Source negotiated price **BE ACCEPTED** to purchase (1) Vactor TruVac HXX Hydro Excavator for a total estimated price of \$739,804.00 (excluding HST) from Joe Johnson Equipment Inc., 2521 Bowman St., Innisfil, Ontario, L9S 3V6;
- c) Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with this purchase;
- d) Approval hereby given **BE CONDITIONAL** upon the Corporation entering into a formal contract or having a purchase order, or contract record relating to the subject matter of this approval in accordance with Sections 14.4(g) and 14.5(a)(ii) of the Procurement of Goods and Services Policy; and
- e) That the funding for this purchase **BE APPROVED** as set out in the Source of Financing Report attached, hereto, as Appendix A.

Executive Summary

The City of London owns and operates three Vactor Hydro Excavation trucks that support a variety of underground repairs and maintenance tasks on water and sewer infrastructure. Fleet Services is scheduled to replace one Hydro Excavator truck that has been identified for lifecycle replacement in the approved 2022 Fleet capital replacement program. Purchasing the same Vactor Excavation model currently in-service will impart advantages to operations in the form of reduced training requirements, less spare part inventory and less maintenance downtime.

This report is requesting approval to utilize a Group Procurement Organization to single source purchase one (1) Vactor TruVac HXX Hydro Excavator from Joe Johnson Equipment Inc. in accordance with section 14.4 (g) of the Procurement of Goods and Services Policy.

Linkage to the Corporate Strategic Plan

This recommendation supports the following 2023-2027 Strategic Plan areas of focus:

- Climate Action and Sustainable Growth:
 - London's infrastructure is built, maintained, and secured to support future growth and protect the environment.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Civic Works Committee – June 19, 2018, RFP 18-14 – Hydro Excavators
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=46378>

1.2 Background

The City of London's Water and Sewer Operations utilize hydro excavators in support of underground repairs and maintenance tasks. These units use high pressured water to loosen the soil and air vacuum technology to transfer material to the debris tank. The equipment safely excavates material exposing the underground infrastructure with minimal disturbance to the surrounding area. This capability provides work efficiencies, reduces risk of damage, increases public and worker safety, and promotes quick restoration of construction projects resulting in less traffic and commerce disruption. In addition to the cost and time savings, hydro excavation provides a safe and effective method to uncover and expose underground utilities like hydro and gas lines and practically eliminates the risk of damage to those services. This method also reduces the environmental impact of our activities compared to mechanical excavation techniques. Vacuum trucks are less invasive, reduce surface and soil disruption, reduce silt impacts to storm water systems, requires less equipment needed to support trenching and excavations, and minimizes tree damage and/or removal.

The City currently has three Vactor Hydro Excavator assets in-service. In 2019, Fleet Services purchased two hydro excavator units using the Request For Proposal procurement process. Joe Johnson Equipment Inc. was awarded RFP 18-14 and delivered two Vactor HXX Hydro Excavator units. The third unit is up for lifecycle replacement and Fleet Services and Sewer Operations recommend acquiring the same Vactor Truvac model given the advantages of fleet commonization. Standardizing our fleet of hydro excavator trucks, will result in many operational efficiencies including:

- No additional OEM operator and technician training required.
- Reduced spare parts inventory.
- Reduced maintenance costs and downtime.
- Joe Johnson Equipment Inc. is the only authorized Vactor dealer in Ontario and their London office can provide local warranty repairs and aftermarket support.

2.0 Discussion and Considerations

2.1 Procurement Process

With guidance from the City of London's Procurement and Supply Services, Fleet Services utilized the Canoe Procurement Group of Canada program to connect with Vactor Manufacturing and its Ontario based dealer Joe Johnson Equipment Inc. The Canoe Procurement Group is a Group Procurement Organization (GPO) entity that leverages the purchasing power of its membership to obtain discounted pricing that may not be available to a single organization on its own. The City of London is a member of the Canoe Procurement Group. All offerings through the Canoe Procurement Group have undergone a formal competitive bid process on behalf of Ontario's municipalities, ensuring full compliance with the Procurement of Goods and Services by-law and trade agreements. The City issued a public notification of its intent to use various GPOs on January 30, 2023.

To pursue the advantages of this GPO, Fleet Services is seeking approval to enter into a purchase agreement with Vactor Manufacturing / Joe Johnson Equipment Inc., 2521 Bowman St., Innisfil, Ontario, L9S 3V6 utilizing the single source procurement clause as noted in section 14.4(g) of the Procurement of Goods and Services Policy:

- 14.4 g) It is advantageous to the City to acquire the goods or services from a supplier pursuant to the procurement process conducted by another public body or a Group Procurement Organization (GPO);

As per section 14.5 a) ii) of the Procurement of Goods and Services Policy, Committee and City Council must approve a single source award greater than \$50,000, unless otherwise permitted by the policy.

Fleet Services, in collaboration with Procurement and Supply Services, will continue to explore group buying opportunities to reduce costs, streamline the purchasing process, allow for standardization of vehicles and equipment, and to ensure that operational requirements are met.

2.2 Disposal of Decommissioned Units

Fleet Services' goal is to recover 15% of the original purchase price when an asset is decommissioned and sold. The current hydro excavator unit will be decommissioned after the new unit is put into service. It will be sold at public auction with the proceeds being returned to the Vehicle and Equipment Reserve Fund.

3.0 Financial Impact

The Fleet Services approved 2022 capital replacement budget for this project was originally set in 2019 for the 2020-2023 multi-year budget. The estimated budget for a Hydro Excavator was set at \$577,800. The quoted price for a new replacement unit is \$739,804.00 (excluding HST). The purchase price increase in 2023 and subsequent budget shortfall can be attributed to industry wide capacity challenges in truck manufacturing post pandemic, increased supply chain costs of raw materials and logistics, and general inflationary increases across the manufacturing sector.

The \$162,004 shortfall can be supported within the Fleet Services approved 2022 capital replacement budget. The source of funding for the shortfall in this project will be funded from other projects surpluses stemming from deferrals, retirements, or assets that are not being replaced.

The ongoing operating costs for fuel, maintenance, inspections, service, and future capital replacement of the hydro excavator will be supported by Fleet Services internal rental rate process.

Funding details for this purchase are outlined in the Source of Financing attached as Appendix A.

Conclusion

In accordance with section 14.4 (g) and 14.5 a) ii) of the Procurement of Goods and Services Policy, Fleet Services in conjunction with Sewer Operations is requesting approval of a single source purchase of one (1) Vactor Truvac HXX Hydro Excavator from Joe Johnson Equipment Inc.

Prepared by: Drew Freeman, P.Eng.
Senior Manager, Fleet Services
Finance Supports

Submitted by: Lynda Stewart
Director, Fleet and Facilities
Finance Supports

Recommended by: Anna Lisa Barbon, CPA, CGA
Deputy City Manager
Finance Supports

cc: Brad Weber, Division Manager, Sewer Operations
Steve Mollon, Senior Manager, Procurement & Supply
Dave Fawcett, Manager Fleet Planning

Attached: Appendix A – Source of Finance

Appendix "A"

#23196

October 4, 2023
(Award Contract)

Chair and Members
Civic Works Committee

RE: SS-2023-232 Single Source Purchase of Hydro Excavator
(Work Order 2581032)
Capital Project ME202201 - Vehicle and Equipment Replacement TCA
Joe Johnson Equipment Inc. - \$739,804.00 (excluding HST)

Finance Supports Report on the Sources of Financing:

Finance Supports confirms that the cost of this project can be accommodated within the financing available for it in the Capital Budget and that, subject to the approval of the recommendation of the Deputy City Manager, Finance Supports, the detailed source of financing is:

Estimated Expenditures	Approved Budget	Committed To Date	This Submission	Balance for Future Work
ME202201 - Vehicle and Equipment Replacement TCA				
Vehicle and Equipment	5,903,258	3,893,331	752,825	1,257,102
Total Expenditures	\$5,903,258	\$3,893,331	\$752,825	\$1,257,102

Sources of Financing

ME202201 - Vehicle and Equipment Replacement TCA				
Capital Levy	434,534	434,534	0	0
Drawdown from Fleet Renewal Reserve Fund	5,468,724	3,458,797	752,825	1,257,102
ME202201 Total	\$5,903,258	\$3,893,331	\$752,825	\$1,257,102

Financial Note:

Contract Price	739,804
Add: HST @13%	96,175
Total Contract Price Including Taxes	835,979
Less: HST Rebate	-83,154
Net Contract Price	\$752,825

Jason Davies
Manager of Financial Planning & Policy

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