

Report to Civic Works Committee

To: Chair and Members
Civic Works Committee

From: Kelly Scherr, P.Eng., MBA, FEC
Managing Director, Environmental & Engineering Services
and City Engineer

Subject: RFP20-61 Supply and Delivery of Combination Sewer
Cleaning Truck

Date: February 9, 2021

Recommendation

That, on the recommendation of the Managing Director, Environmental and Engineering Services and City Engineer,

- a) The submission from Joe Johnson Equipment, 2521 Bowman Street, Innisfil, ON, L9S 3V6, for the supply and delivery of one (1) Combination Sewer Cleaning Truck at a total purchase price of \$589,883, excluding HST, BE ACCEPTED; in accordance with Section 12.2 b) of the Goods and Services Policy which states: Awards under the RFP process require the following approval: Committee and City Council must approve an RFP award for purchases greater than \$100,000;
- b) Civic Administration BE AUTHORIZED to undertake all the administrative acts that are necessary in connection with these purchases;
- c) 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 Section 12.2 b) of the Goods and Services Policy, and
- d) That the funding for this purchase BE APPROVED as set out in the Source of Financing Report attached, hereto, as Appendix A.

Executive Summary

This report recommends awarding RFP20-61 to Joe Johnson Equipment, the highest scoring proponent. The RFP was issued by Purchasing and Supply and four (4) proposals were submitted for evaluation by Fleet and Operational Services, Sewer Operations and Purchasing and Supply. This highest scoring proposal provides the best overall value to the City of London. The Combination Sewer Cleaning Truck is valued at \$589,883 (plus HST). The forecasted budget for this project as stated on the Procurement Initiation Approval form was \$525,000. The amount exceeding the estimated project costs can be funded from within existing approved Wastewater and Fleet Services Capital Budgets.

Linkage to the Corporate Strategic Plan

Building a Sustainable City

London's infrastructure is built, maintained, and operated to meet long-term needs of our community

- Manage assets to prevent future infrastructure gaps

Leading in Public Service

Londoners experience exceptional and valued customer service

- Increase responsiveness to our customers
- Increase efficiency and effectiveness of service delivery

Analysis

1.0 Background Information

Fleet and Operational Services is responsible for reviewing and replacing vehicles and equipment that have reached the end of their optimum lifecycle. The Sewer Operations Division approached Fleet and Operational Services in 2019 to develop a business plan that would consider replacing the current combination sewer cleaning truck. A combination truck is a multi-purpose vehicle that can perform specialized maintenance activities on the City's storm and sanitary sewers, storm sewer outlets, catchbasins, and stormwater management facilities. It also provides support when responding to emergency environmental spills. The existing combination sewer cleaning truck was manufactured in 2014 and was not scheduled for replacement until 2026.

Through a comprehensive review of Sewer Operation's business plan, it was confirmed that the existing combination sewer cleaning truck does not meet the Sewer Operations Division's ongoing needs. Since the introduction of the existing combination sewer cleaning truck, there has been an increase in specialized maintenance activities including work in rural, parkland, and woodlot settings. Due to its large size and considerable weight, the existing combination sewer truck is not able to access these natural settings leading to the vehicle not being fully utilized for significant portions of the year. The proposed combination truck is smaller, can access narrower locations, and is equipped to be fully operational twelve months of the year.

As part of the business plan, financial viability was considered, recognizing the replacement of this specialized piece of equipment was premature with respect to the end of its lifecycle. In addition, a vehicle in good condition that retires early will generally command higher value in the resale market.

From a future budgeting and financial perspective, it was estimated that the new truck would cost approximately \$525,000.

Corporate Health and Safety Specialists were involved in the review of the final specifications that formed part of the RFP document.

In summary, an RFP was initiated in consultation with staff in the Sewer Operations Division with a primary objective of replacing an existing combination sewer cleaning truck that has operational limitations which negatively impact the division's sewer maintenance programs.

2.0 Discussion and Considerations

2.1 Purchasing Process

Due to the complexity of this specialized equipment, a decision was made to call a Request for Proposal (RFP) allowing interested bidders to be creative, while having to adhere to minimum mandatory requirements noted in the RFP's specifications.

Through Purchasing and Supply, Fleet and Operational Services initiated the proposal process on November 19, 2020, for a new combination sewer cleaning truck for the Sewer Operations Division. The RFP closed on December 21, 2020. Four (4) compliant bids were received and evaluated.

2.2 Evaluation and Results

The evaluation team was chaired by a Procurement Officer and consisted of staff representing Sewer Operations and Fleet and Operational Services. The following evaluation criteria, provided in the RFP, were used to evaluate the submissions:

- Mandatory Requirements
- Company Certification, Experience and Past Performance

- Specifications: Cab & Chassis
- Specifications: Body
- Efficiency, Safety and Regulatory Compliance
- Service Support, Delivery, Training, and Warranty
- Price

The evaluation confirmed the highest score was achieved by Joe Johnson Equipment. This highest scoring proposal provides the best overall value to the City of London.

2.3 Disposal of Decommissioned Units

Bidders were asked to provide an optional trade-in value to retire the existing, City owned combination sewer cleaning truck. The trade-in value submitted by Joe Johnson Equipment did not meet the City's desired salvage value threshold. Subsequently, a decision was made to try and maximize the resale value through an upcoming public auction with the intent of minimizing the financial impact of the vehicle change out strategy.

3.0 Financial Impact

3.1 Project Budget

The forecasted budget for this project, as stated on the Procurement Initiation Approval, form was \$525,000. The recommended bid from Joe Johnson Equipment is \$589,883 (excluding HST). The amount exceeding the estimated project costs can be funded from within existing approved Wastewater and Fleet Services Capital Budgets. The shortfall is partially associated with some additional features to optimize operational value.

Since the most recent forecasted budget was prepared, a number of factors are continuing to result in higher costs. Continued market changes and challenges in the heavy truck and body building industry include increased supply chain costs due to the current pandemic, costs of raw materials, currency exchange rates, environmental control systems, trade and tariff pressures and general inflationary increases across the board in the manufacturing sector. These primary factors all contribute to the exceedance of the estimated budget amount.

3.2 Project Funding

Funding to replace the existing combination sewer cleaning truck will be split between the Fleet Vehicle and Equipment Reserve Fund and Wastewater approved Capital Budgets.

Fleet Services will be funding \$366,183 which is the amount contributed to the Vehicle and Equipment Reserve Fund from the service area for the replacement over the asset's service life, plus any surplus funds from the sale of the retiring asset above the targeted salvage amount. The balance of \$223,700 will be funded directly from the Wastewater Capital Budgets noted on the Source of Financing.

The impact of the shortfall will be minimized through the higher than expected resale value of the retiring combination sewer cleaning truck. Market research indicates a projected resale value of between \$100,000 to \$130,000. This amount would be about 50% above the forecasted salvage value amount that was planned to be returned to the reserve fund at the normal end-of-life. This amount reduces the current spread of \$65,000.

Ongoing operating costs for fuel, maintenance, inspection, service, overhead and future capital replacement are funded through the internal rental rate process and charged to the respective service areas. These rental rate calculations are based on future replacement costs and historical information for similar units in various equipment classes.

Source of Financing is attached as Appendix A.

Conclusion

Based on an analysis and evaluation of the submissions received, Fleet Services in conjunction with Service Area recommend that RFP20-61 be awarded to Joe Johnson Equipment, 2521 Bowman Street, Innisfil, ON, L9S 3V6 for the supply and delivery a combination sewer cleaning truck.

Prepared by: Mike Bushby, B.A.
Division Manager, Fleet and Operational Services

Submitted by: Jay Stanford, MA, MPA
Director, Environment, Fleet and Solid Waste

Scott Mathers, P.Eng., MPA
Director, Water and Wastewater

Recommended by: Kelly Scherr, P. Eng., MBA, FEC,
Managing Director, Environmental and Engineering
Services and City Engineer

Attach: Appendix A – Source of Finance

Appendix "A"

#21015
February 9, 2021
(Award Contract)

Chair and Members
Civic Works Committee

RE: RFP20-61 Supply and Delivery of Combination Sewer Cleaning Truck
(Work Order 2487301)
Capital Project ME201801 - Vehicles and Equipment Replacement - TCA
Capital Project ES5020 - Sewer Operations Equipment - Stormwater
Capital Project ES5021 - Sewer Operations Vehicles and Equipment - WWT
Capital Project ES252320 - Sewer Construction and Repairs
Joe Johnson Equipment - \$589,883.00 (excluding HST)

Finance and Corporate Services Report on the Sources of Financing:

Finance and Corporate Services confirms that the cost of this purchase can be accommodated within the financing available for it in the Capital Budget, and that, subject to the approval of Managing Director, Environmental and Engineering Services, and City Engineer, the detailed source of financing is:

Estimated Expenditures	Approved Budget	Committed To Date	This Submission	Balance for Future Work
ME201801 - Vehicles and Equipment Replacement - TCA				
Vehicles and Equipment	6,469,253	5,508,335	372,628	588,290
ES5020 - Sewer Operations Equipment - Stormwater				
Vehicles and Equipment	323,311	149,720	173,591	0
ES5021 - Sewer Operations Vehicles and Equipment - WWT				
Vehicles and Equipment	189,844	176,066	13,778	0
ES252320 - Sewer Construction and Repairs				
Construction	2,700,000	1,213,182	40,267	1,446,551
Total Expenditures	\$9,682,408	\$7,047,303	\$600,264	\$2,034,841

Sources of Financing

ME201801 - Vehicles and Equipment Replacement - TCA				
Capital Levy	260,862	260,862	0	0
Drawdown from Vehicles and Equipment Reserve Fund	6,165,891	5,204,973	372,628	588,290
Drawdown from Self Insurance Reserve Fund	42,500	42,500	0	0
ME201801 Total	\$6,469,253	\$5,508,335	\$372,628	\$588,290
Capital Project ES252320 - Sewer Construction and Repairs				
Drawdown from Sewage Works Renewal Reserve Fund	323,311	149,720	173,591	0
ES5021 - Sewer Operations Vehicles and Equipment - WWT				
Drawdown from Sewage Works Renewal Reserve Fund	189,844	176,066	13,778	0
ES252320 - Sewer Construction and Repairs				
Capital Sewer Rates	2,700,000	1,213,182	40,267	1,446,551
Total Financing	\$9,682,408	\$7,047,303	\$600,264	\$2,034,841

Appendix "A"

#21015

February 9, 2021
(Award Contract)

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RE: RFP20-61 Supply and Delivery of Combination Sewer Cleaning Truck
(Work Order 2487301)
Capital Project ME201801 - Vehicles and Equipment Replacement - TCA
Capital Project ES5020 - Sewer Operations Equipment - Stormwater
Capital Project ES5021 - Sewer Operations Vehicles and Equipment - WWT
Capital Project ES252320 - Sewer Construction and Repairs
Joe Johnson Equipment - \$589,883.00 (excluding HST)

Financial Note:	ME201801	ES5020	ES5021	ES252320
Contract Price	\$366,183	\$170,589	\$13,540	\$39,571
Add: HST @13%	47,604	22,177	1,760	5,144
Total Contract Price Including Taxes	413,787	192,766	15,300	44,715
Less: HST Rebate	-41,159	-19,174	-1,522	-4,448
Net Contract Price	\$372,628	\$173,591	\$13,778	\$40,267

Financial Note:	Total
Contract Price	\$589,883
Add: HST @13%	76,685
Total Contract Price Including Taxes	666,568
Less: HST Rebate	-66,303
Net Contract Price	\$600,264

Jason Davies
Manager of Financial Planning & Policy

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