

Report to Civic Works Committee

To: Chair and Members
Civic Works Committee

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

Subject: Contract Award Amendment - RFP 21-37 Supply and Delivery of CNG Split Stream Rear Loading Waste Collection Trucks

Date: November 23, 2021

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports:

- a) Civic Administration **BE AUTHORIZED** to undertake a contract award amendment as per 20.3(e) of the Procurement of Goods and Services Policy as follows;
 - i. The award of RFP 21-37 to London Machinery Inc. (LMI) 15790 Robin's Hill Road, London, Ontario N5V 0A4 for the Supply and Delivery of Compressed Natural Gas (CNG) Split Stream Rear Loading Waste Collection Trucks at a total purchase price of \$10,755,520. (excluding HST) **BE CANCELLED**;
 - ii. The next highest scoring submission from Team Truck Centre, 795 Wilton Grove Road, London, Ontario N6N 1N7 for the Supply and Delivery of Compressed Natural Gas (CNG) Split Stream Rear Loading Waste Collection Trucks at a total purchase price of \$10,705,210. (excluding HST), **BE ACCEPTED**;
- b) Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with this purchase;
- c) Approval hereby given **BE CONDITIONAL** upon the Corporation entering into a formal contract, purchase order, or contract record relating to the subject matter of this approval in accordance with Section 12.2(b) of the Procurement of 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

Fleet and Operational Services in conjunction with staff from Climate Change, Environment and Waste Management initiated a Request for Proposal (RFP) for twenty-six (26) Compressed Natural Gas (CNG) Split Stream Rear Loading Waste Collection Trucks that closed on July 13th, 2021

At the August 31, 2021 meeting of the Civic Work Committee a report recommending London Machinery Inc. (LMI) as the successful proponent was submitted and approved at Council on September 14th 2021.

Fleet Services in conjunction with Purchasing and Supply then initiated a Purchase Order for the work and began the process of final design and layout and prebuild technical details.

In November, LMI requested an urgent meeting with Fleet Planning representatives where they reported that a major partner in their submission, Peterbilt (who were responsible for the cab and chassis component of the build), had disclosed that due to unforeseen circumstances they were cancelling all cab and chassis orders effective immediately. Further to that they also indicated that they would not be undertaking any orders for the foreseeable future and all pricing terms would need to be renegotiated when production did resume.

Despite LMI's willingness to secure an alternative chassis for their submission, the City is unable to re-negotiate terms of a submission in an RFP process. Therefore, after consultation with Purchasing and Supply, staff are recommending in this report that the City proceed with the next highest scoring proponent from the RFP evaluation process.

The next highest scoring bid that met all the specifications and conditions was from Team Truck Centres. The Team Truck Centre submission provides for a Freightliner CNG powered cab and chassis with a McNeilus split body packer body which is distributed through London Machinery Inc.

This recommendation is in the best interest of the City as it provides a very comparable alternative to the original award and is within the same budget framework. This solution provides a path forward to help deliver on two important Council approved projects, Green Bin Organic Collection and Fuel Switching from diesel to compressed natural gas-powered trucks.

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
- Increase waste reduction, diversion, and resource recovery
- Conserve energy and increase actions to respond to climate change

Leading in Public Service

Londoners experience exceptional and valued customer service

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

Growing our Economy

- Increase partnerships that promote collaboration, innovation, and investment

Analysis

1.0 Background Information

Previous reports related to matter;

Fuel Switching – Diesel to CNG for Waste Collection Trucks - Fleet and Waste Management Report to Civic Works Committee September 25, 2018

Updates - 60% Waste Diversion Action Plan Including the Green Bin (Revised Timetable) - Waste Management Report to Civic Works Committee, November 17, 2020 and approved during the Annual Budget Update, January 12, 2021

RFP 21-37 Supply and Delivery of CNG Split Stream Rear Loading Waste Collection Trucks Fleet and Waste Management Report to Civic Works Committee August 31, 2021

2.0 Discussion and Considerations

Supply and delivery of new CNG waste collection trucks is a key piece of delivering on two important council approved business cases. Specifically, the RFP includes the objectives of the implementation of Green Bin organic collection program, that was identified in the 60% Waste Diversion Action Plan and fuel switching to Compressed Natural Gas trucks instead of diesel powered vehicles to reduce GHG emissions and save on fuel costs.

Ongoing challenges within the economy and specifically within the industrial sector with respect to backorders, supply chain issues, inflation and labour impacts are unprecedented. Increases in costs, order delays and outright cancellations for vehicle and equipment orders are becoming a regular occurrence as businesses struggle to manage the pandemic recovery.

This situation has most recently affected the award of RFP 21-37 Supply and Delivery of CNG Split Stream Rear Loading Waste Collections Trucks. Below is a list of actions that have taken place over the last couple months to help provide context for the need to make the suggested contract amendment.

Overview of Work Prior to Council Award on September 14, 2021

- After a comprehensive review of the requirements to implement a green bin program an RFP for Split Stream Waste Collection Trucks was initiated and closed on July 13, 2021. Six (6) bids were received and evaluated.
- The evaluation team was chaired by Purchasing and Supply and consisted of staff representing Fleet and Operational Services, Waste Collection Operations and Climate Change, Environment & Waste Management.
- The following evaluation criteria was used to evaluate the submissions;
 - Company Certification, Experience and Past Performance
 - Specifications - Mandatory Requirements for both chassis and body
 - Service Support, Delivery, Training, and Warranty
 - Delivery schedule
 - Price
- After evaluation of the criteria and scoring of the six submissions, London Machinery Inc. was the highest scoring submission having met the terms and conditions and in the view of the evaluation team offering the best overall value to the City of London.
- Optional items were also negotiated into the final award:
 - increasing the CNG fuel tank storage capacity up to 75 DGE (Diesel Gallon Equivalent),
 - extending the term of warranty coverage available for the engine and transmission components to five (5) years,
 - adding towing coverage for the five (5) year warranty period, and
 - purchasing and installing cart tippers on ten (10) of the split stream units.
- CWC report was submitted and approved at the August 31st meeting and later approved by council on Sept. 14, 2021.

Overview of Activities After Council Award

- A purchase order was issued to the successful proponent for RFP 21-37
- The “final build” meetings with the successful proponent commenced in mid-September.
- The successful proponent reported in late October that its cab and chassis vendor had warned of production delays.
- The warning was quickly followed by an announcement from the cab and chassis vendor that it could not deliver the required units, due to market and manufacturing recovery challenges from the pandemic.

- The successful proponent advised the City that the proponent would, with the City's consent, search for a new cab and chassis supplier.
- Since our procurement policy does not permit re-negotiation of the terms of an award, the purchase order to the successful proponent was cancelled.
- Staff propose to issue a purchase order to the next highest scoring proponent.

The next highest scoring submission that is being recommended is from Team Truck Centres as the prime vendor and London Machinery for the refuse body. The submission brings together the Freightliner CNG cab and chassis and the McNeilus split stream refuse body. The Freightliner cab and chassis has compatibility with our existing fleet and has demonstrated experience with building CNG trucks and exhibited performance in the waste collection class.

The McNeilus (LMI) split stream rear load packer bodies is the same as our original award recommendation. McNeilus is an industry leader for waste collection trucks space and has the ability and capacity to deliver on schedule. LMI also brings with them all the work that was completed over the last several weeks on final build design and layout which will help eliminate any further order and build delays.

The recommended bid also provides a preferred build schedule, a (3) three-year warranty on the cab and chassis and a list of several optional items to be included including a frame rail CNG tank configuration, cart tippers and a 75 DGE CNG storage capacity tank system. These items and costs will be included in the final award.

Both Team Truck Centres and London Machinery are London based and can provide effective and efficient ongoing service, parts supply, training and warranty support.

Impacts to the Rollout Plan for the Green Bin Program

With this development and the time lost, the new expected delivery schedule for trucks may require a longer phase-in approach for Green Bin program implementation. The new proposed schedule, subject to some final adjustments, will see cab and chassis beginning to arrive at the body builder in mid-2022. Subsequent body building and final commissioning will begin late 2022 and extend through Q1 of 2023. As the trucks are completed and ready for service the roll out of green bin collection will be phased in as close to the schedule below as possible.

The adjusted schedule that was provided in the August 31, 2021 CWC report identified the following:

Phase	Target Dates for Start-up of Green Bin Program	Approximate Number of Homes to be Served	Area of London
1 Note A	Early September, 2022	6,500	Lambeth, River Bend, rural and small community areas on the west/south side of London
Note B			Mid-November, 2020 – Collection Zone Adjustments
2	Mid-November, 2022	60,000	To be determined
3	Mid-January, 2023	60,000	To be determined

A - Green Bin and Blue Box will be weekly. Garbage collection will be collected every two weeks.

B - All remaining areas shift to the new schedule based on 5 Collection Zones (instead of the current 6 Collection Zones).

The early September start of Green Bin implementation in Lambeth and areas in close proximity remains unchanged. Further details on the rollout schedule will be the subject of a future report to CWC when final build spots are confirmed and the results of the Green Bin cart RFP and processing of Green Bin materials are known in the winter of this year.

In addition, City staff are looking at a proposed opportunity to introduce source separated organics collection at 10 buildings (about 1,500 units) as part of a pilot project as the proposed mixed waste processing solution in Ontario is not operational at this time. This will be subject of a future report to CWC and require Council approval.

3.0 Financial Impact

3.1 Project Budget

Fleet and Operational Services set an original project capital budget of \$11,050,000 (excluding HST) for the twenty-six (26) trucks.

The original highest scoring bid recommended from London Machinery Inc. (LMI) including options for extended warranty, towing coverage and 75 DGE (Diesel Gallon Equivalent) fuel tank system and cart tippers was \$10,755,520 (excluding HST). However, that submission did not include the desired frame rail tank orientation for CNG storage which would have resulted in a final contract price of \$10,988,896 (excluding HST).

The new recommended submission from Team Truck Centres is \$10,705,210 (excluding HST). This submission does include all options including 3 year extended warranty (5 year option n/a) larger tank storage capacity and cart tippers but also includes the safer frame rail tank configuration versus the roof mounted system.

3.2 Project Funding

Funding details for this procurement are outlined in the Source of Financing (Appendix A).

The same funding strategy for the original award will be in place for this purchase. Eighteen (18) of the twenty-six (26) waste collection trucks that are, or soon will be, up for lifecycle renewal will be funded using the approved Fleet capital replacement budget supplemented with additional funding from the approved Green Bin capital budget.

Capital requirements for the eight (8) additional units will be fully funded from the approved Green Bin capital budget as these units are all additional fleet assets being purchased to support organic waste collection needs.

Future capital and operating budgets will be impacted by the changes to the existing assets and the addition of more packers. Fleet Services have calculated the expected operational, fuel, maintenance and future replacement capital requirements that will be required by the Waste Management program. On an annual basis those rental rate costs will be evaluated and adjusted as required as more actual cost experience is acquired. It is expected there will be lower maintenance costs with the CNG engine configuration, and the 3-year extended warranty offered on the cab and chassis will help offset the additional operating costs going forward.

As well, research indicates with the cleaner burning CNG engine it is very likely these assets can be extended for an additional year of lifecycle (up to 10 years) which will also help to support the costs to the program.

CNG pricing is more stable than diesel fuel and consistently about half the cost. There are also future savings from reduced carbon tax that are applied to diesel fuel prices. Fuel savings from CNG versus diesel fuel during the start up years will be going to pay

back the loan from the Operating Efficiency, Effectiveness and Economy Reserve (EEE) for the CNG maintenance facility modifications required at our EROC Operations Centre.

Conclusion

Fleet Services in conjunction with Waste Management and Purchasing and Supply recommend a contract award amendment for RFP 21-37 Supply and Delivery of CNG Split Stream Rear Loading Waste Collection Trucks.

The original highest scoring submission from London Machinery Inc. that was awarded on Sept. 14 2021, was unable to execute the terms of the contract due to the withdrawal of a key partner, Peterbilt Cab and Chassis from their bid.

Fleet Services recommend moving to the next highest scoring bid from Team Truck Centres (Freightliner) as the prime vendor with London Machinery (McNeilus) providing the split stream refuse body.

The Team Truck Centre submission provides a very comparable cab and chassis that meets our requirements and specifications, it also maximizes the value of the work done so far by London Machinery in preparing to provide the rear loading split stream bodies that were selected in the first award.

The recommendation is in the best interest of the City in the circumstances, it allows the project to get back on track by providing a build schedule, product and price that is workable and supports the project deliverables within budget. The changes required with respect to having to change the award and the ongoing challenges in the market could extend the rollout period of the Green Bin program.

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Attached: Appendix A – Source of Financing