

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 Amendment: RFP 21-38 CNG Side Loading Waste Collection Trucks

Date: November 29, 2022

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the following actions **BE TAKEN**:

- a) The Supply and Delivery of Compressed Natural Gas (CNG) Split and Single Stream Side Loading Waste Collection Trucks (RFP 21-38) contract value with Vision Truck Group **BE INCREASED** by \$110,000.00 to \$2,415,511.00 (excluding HST) in accordance with Section 20.3 (e) of the Procurement of Goods and Services Policy;
- b) Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with this contract amendment;
- c) That the funding for this project **BE APPROVED** as set out in the Source of Financing Report attached, hereto, as Appendix A.

Executive Summary

RFP21-38 was awarded to Vision Truck Group in November 2021 to supply and deliver five CNG Split and Single Stream Side Loading Waste Collection Trucks. Two single stream side loading trucks will replace existing assets that have reached end of useful life, and three split stream side loaders are additional units that will support the new Green Bin program (currently scheduled for implementation in mid to late 2023).

As reported to Civic Works Committee in 2022, the procurement of new garbage and organic waste collection trucks have been impacted by supply chain pressures, inflationary costs, manufacturing delays, material and labour shortages. Due to these factors, the chassis manufacturer has applied material surcharges and model year price increases to all current heavy-duty truck orders.

This report recommends increasing the original contract value for RFP 21-38 Supply and Delivery of CNG Split and Single Stream Side Loading Waste Collection Trucks by 4.7%.

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

Analysis

1.0 Background Information

The five CNG side loading waste collection trucks currently on order are fit for purpose Mack LR 64G chassis equipped with Labrie Expert side loading split and single stream refuse bodies. The side loading units are capable of supporting both garbage and new organic Green Bin collections with various cart tipping options. Additionally, this order of CNG power trucks will contribute towards reducing GHG emissions and dependency on diesel powered vehicles.

1.1 Previous Reports Related to this Matter

Relevant reports can be found at www.london.ca under Council and Committees meetings include:

- Updates: Green Bin Program Implementation (June 21, 2022 meeting of the Civic Works Committee (CWC), Item# 2.3)
- Contract Award: RFP21-38 Supply and Delivery of Compressed Natural Gas (CNG) Split and Single Stream Side Loading Waste Collection Trucks (November 2, 2021 meeting of the CWC, Item# 2.5)

2.0 Discussion and Considerations

2.1 Discussion

The trucking manufacturing industry has been challenged to overcome many post pandemic and economic conditions that continue to impact manufacturing sectors at large. Mack Truck has been confronted with on-going supply chain bottlenecks and disruptions, material and labour shortages, higher than expected commodity prices and continued strong sales growth. Despite best efforts to mitigate these factors, Mack Truck has communicated the necessity to implement pricing surcharges on all five CNG Side Loading Waste Collection Trucks currently on order for the City of London. The price surcharges are comprised of material surcharges and Model Year (MY2024) price increases totaling \$22,000.00 (excluding HST) per truck.

Material: Material surcharges have been largely driven by significant increases in input costs to manufacture and supply trucks. The key components driving the material surcharges are raw materials (tires, steel, aluminum, plastic, rubber), limited supply (semiconductor shortage), labour, freight and transportation, and energy to manufacture. The combined Mack Truck Inc. 2023 & 2024 production model year material surcharges amount to a \$14,800 (excluding HST) per unit increase. These additional costs are not unique to the City of London's orders. They were applied to all Mack heavy duty truck orders in the same model year.

Model Year: Order backlogs and supply chain bottlenecks have caused production delays, resulting in Mack Truck to reduce the number of chassis manufactured in 2022. The City of London's orders originally scheduled for production in Q4 2022 (MY2023), are now planned for Q1/Q2 2023 production. Since all five units are now manufactured in accordance with the 2024 Model Year (MY2024) design, they are subject to a model year price increase of \$7,200 (excluding HST) per truck.

2.2 Considerations

Supply chain pressures from unforeseen economic conditions and production delays that are not typical of waste truck manufacturing, have resulted in a need for increased funds. Considering the ongoing challenges are industry wide, Fleet Services in consultation with Purchasing and Supply do not believe changing suppliers at this time is beneficial to the City. Renegotiating with a new vendor will result in further manufacturing delays and increased acquisition and operating costs. This approval will support Green Bin Program

rollout (currently scheduled for implementation in mid to late 2023) and replace two assets that are past useful life and are in need of replacement.

3.0 Financial Impact

3.1 Project Funding

The additional funding required is available within the approved capital budget for New and Emerging Solid Waste Technologies capital project SW6050. The total contract value will need to increase by \$110,000.00 (excluding HST). With the additional funding, the total approved contract value of \$2,305,511.00 (excluding HST) will increase to \$2,415,511.00 (excluding HST), a 4.7% increase in total contract value.

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

Conclusion

In accordance with Section 20.3 (e) of the Procurement of Goods and Services Policy, it is recommended that the contract value be amended for the Supply and Delivery of CNG Split and Single Stream Side Loading Waste Collection Trucks (RFP21-38) contract awarded to Vision Truck Group.

Prepared by:	Drew Freeman, P.Eng. Senior Manager, Fleet
Submitted by:	Lynda Stewart Director, Fleet and Facilities
Recommended by:	Anna Lisa Barbon, CPA, CGA Deputy City Manager, Finance Supports

Attached: Appendix A – Source of Financing

cc: Jay Stanford, Director of Climate Change, Environment & Waste Management
Steve Mollon, Senior Manager of Purchasing and Supply

#22156
November 29, 2022
(Contract Award Increase)

Chair and Members
Civic Works Committee

RE: RFP 21-38 Supply and Delivery of CNG Split and Single Stream Side Loading Waste Collection Trucks
(Work Orders 2530336-2530340)
Capital Project SW6050 - New and Emerging Solid Waste Technologies
Vision Truck Group - \$2,415,511.00 (excluding HST)

Finance and Corporate Services Report on the Sources of Financing:
Finance and Corporate Services 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 Deputy City Manager, Finance Supports, the detailed source of financing is:

Estimated Expenditures	Approved Budget	Committed To Date	This Submission	Balance for Future Work
Consulting	1,000,000	314,729	0	685,271
Construction	24,215,094	52,003	0	24,163,091
Vehicles and Equipment	11,245,906	10,495,317	111,936	638,653
Total Expenditures	\$36,461,000	\$10,862,049	\$111,936	\$25,487,015

Sources of Financing				
Debenture By-law No. W.-5679-335	11,300,000	0	0	11,300,000
Drawdown from Fleet Renewal Reserve Fund	861,000	0	0	861,000
Drawdown from Solid Waste Renewal Reserve Fund	16,351,532	2,913,581	111,936	13,326,015
Canada Community-Building Fund (Federal Gas Tax)	7,948,468	7,948,468	0	0
Total Financing	\$36,461,000	\$10,862,049	\$111,936	\$25,487,015

Financial Note:	
Contract Price	\$2,415,511
Less Amount previously approved	2,305,511
	\$110,000
Add: HST @13%	14,300
Total Contract Price Including Taxes	124,300
Less: HST Rebate	-12,364
Net Contract Price	\$111,936

Jason Davies
Manager of Financial Planning & Policy