

City of Mississauga
Additional Agenda



General Committee

Date

April 20, 2016

Time

9:00AM

Location

Council Chamber

2nd Floor

300 City Centre Drive

ADDITIONAL DEPUTATION

5.2 Item 7.2 Chris Schafer, Uber Public Policy Manager - Canada

ADDITIONAL MATTERS TO BE CONSIDERED

6.13 Single Source Contract Award to Suncor Energy Products Partnership for the Supply and Delivery of Diesel and Biodiesel Fuel Required by MiWay, Corporate Fleet and Various other City Facilities (FA.49.197-16)

6.14 Contract Extension on a Single Source Basis for the Supply of Sodium Chloride for Winter Maintenance Operations, Procurement No. FA.49.476-09

Contact

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City of Mississauga
Corporate Report



Date: 2016/04/06

To: Chair and Members of General Committee

From: Martin Powell, P. Eng, Commissioner of Transportation and Works

Originator's files:
 FA.49.197-16

Meeting date:
 2016/04/20

Subject

Single Source Contract Award to Suncor Energy Products Partnership for the Supply and Delivery of Diesel and Biodiesel Fuel Required by MiWay, Corporate Fleet and Various other City Facilities (FA.49.197-16)

Recommendation

1. That the Purchasing Agent be authorized to execute an agreement with Suncor, on a single source basis in an estimated amount of \$19.2 million per year, subject to annual review of quantities and budget approval, for the supply and delivery of Diesel and Biodiesel fuel for an initial term of two years from August 1, 2016 to July 31, 2018 with the option to renew for a further one year term ending July 31, 2019.
2. That the Purchasing Agent be authorized to extend the existing contract with Valero Energy Inc. for the supply of fuel, for an additional three months to July 31, 2016. No additional funds are required for the extension period.
3. That the Purchasing Agent be authorized to extend the existing contract with Canada Clean Fuels for the delivery of fuel for an additional three months to July 31, 2016. Budget is available but contract requires an increase of \$50,000.00 to cover service during the extension period.

Report Highlights

- The City requires the supply and delivery of diesel, biodiesel and gasoline for use by MiWay, Corporate Fleet and various other City facilities.
- Metrolinx recently conducted a competitive procurement process for diesel fuel. The contract was awarded to Suncor. The contract term is from May 1, 2015 to April 30, 2017 with an option to renew for up to three years ending March 31, 2020.
- Metrolinx receives a favourable discount off the price of diesel based on its volume of approximately 60,000,000 litres per year. The City's volume is approximately 20,000,000

litres per year.

- The Metrolinx contract with Suncor provides for other public agencies, such as the City, to receive a similar discount. Suncor has agreed to give the City the same discount as Metrolinx receives and staff have negotiated favourable delivery rates with Suncor.
- Staff recommend that the City award a contract for the supply and delivery of diesel to Suncor on a single source basis as it is advantageous to the City and that no better value would be gained through a City led competitive process.
- The Purchasing By-law #374-2006 item 1(b) (vii) allows for single source contract awards when it is advantageous to the City to acquire the Goods and /or Services from a supplier pursuant to the procurement process conducted by another Public Body.
- Staff also recommend that the City's requirements for biodiesel fuel be supplied by Suncor. Staff negotiated the same discount for the supply of base diesel to which a surcharge is added for the biological component. Suncor's blending method results in consistent quality.

Background

Previously these fuels were purchased co-operatively with the Region of Peel, the City of Brampton, the Town of Caledon and Enersource Hydro Mississauga, Inc. Current contracts are due to expire and a single source procurement method is being recommended for the supply and delivery of diesel and biodiesel fuels. Gasoline will be tendered co-operatively.

Metrolinx conducted a competitive procurement process in early 2015 for the supply and delivery of diesel. The contract was awarded to Suncor being the highest discount bid received. The Metrolinx contract includes a provision which allows other public agencies to acquire diesel from Suncor under similar terms and conditions. City staff approached Suncor and obtained the same discount as Metrolinx and negotiated favourable delivery rates. This report seeks authority to award a contract to Suncor for the supply and delivery of diesel and biodiesel fuels on a single source basis starting on August 1, 2016 and to extend existing contracts to ensure fuel supply until new contracts are implemented.

Biodiesel is not included in the Metrolinx contract. The quantity is low compared to the overall quantity of diesel required. Staff included the supply of biodiesel to increase City quantity of diesel and were able to obtain the same discount rate off the posted diesel price from Suncor, to which a surcharge is added for the biological component. Also, Suncor's method of blending biodiesel fuel results in consistent quality which is preferred.

Comments

Single Source Contract Award

Diesel pricing is based on two components: a discount from a posted price for diesel (the market price fluctuates daily) and rates for delivery which are based on location, tanks sizes and quantity.

Staff were successful in obtaining the same discount that Suncor extends to Metrolinx, resulting in a price that is lower by 0.0089 cents per litre than the current average price and staff were able to negotiate a delivery rate for MiWay locations (prime user) that is 0.0023 cents per litre lower than that currently paid, which was bid in 2010.

Staff consider that the pricing received from Suncor represents excellent value for the City and that no better value would result through conducting competitive procurement process. Based on the City's quantity, it is unlikely that a competitive process would achieve a favourable discount on supply and favourable delivery rates.

John Leahy, a fuel consultant recognized for his diesel market expertise and work with major consumers such as Metrolinx was retained by the City to provide pre-tender advice based on current market conditions. Mr. Leahy has been consulted regarding the Suncor deal and concurs with staff opinion.

Staff recommend that Suncor be awarded the contract, on a single source basis, as it is advantageous to the City.

The single source contract award recommendation in this report is made in accordance with Schedule A of the Purchasing By-law #374-2006 item 1(b) (vii) which states that the single source procurement method may be applied when *it is advantageous to the City to acquire the Goods and /or Services from a supplier pursuant to the procurement process conducted by another Public Body*. Single source contract awards having a value of \$100,000.00 or more require Council approval.

Extend Current Contracts

It is necessary to extend the existing contract with Valero Energy Inc. for the supply of fuel and the existing contract with Canada Clean Fuels for the delivery of fuel until July 31, 2016 to ensure supply during contract change-over.

Financial Impact

The proposed Suncor contract improves the diesel discount rate and the delivery rate currently paid. Applying the new pricing to the City's estimated quantities represents approximately \$216,000.00 in annual savings over current pricing.

Staff consider that the pricing received from Suncor, based on Metrolinx's high volume, represents excellent value for the City and that no better value would result through conducting a competitive procurement process. The City's relatively low volumes are unlikely to attract better pricing on supply and delivery rates should it conduct a bidding process on its own.

The annual estimated contract amount is \$19,200,000.00. Quantities may change based on MiWay services levels and fleet growth. The posted price of diesel is subject to change based on market fluctuations. Funds for this purpose are available in annual operating budgets.

Conclusion

The City has the ability to leverage the contract with Suncor that was competitively bid by Metrolinx and has obtained favourable pricing for supply and delivery of diesel and biodiesel fuels. It is recommended that a contract be awarded to Suncor on a single source basis.

Attachments

Appendix 1: Scope of Work – Delivery Schedule



Martin Powell, P. Eng, Commissioner of Transportation and Works

Prepared by: Fermin Pico, Acting Manager Maintenance

Scope Of Work

Appendix 1

**Supply and Delivery of Diesel and Bio-Diesel Fuel to the Following City Locations for Two (2) Years
(As Required)**

City of Mississauga	Delivery Location	No. of Tanks	Fuel Type	Size of Tanks	Estimated 2016 Volume (L)
Transit Building	3567 Erindale Stn Rd., Miss.	2	Grade #2 - Clear	50,000 L	5,083,000
Transit Building	975 Central Parkway W., Miss	2	Grade #2 - Clear	50,000 L	10,860,000
Malton Satellite Terminal	6780 Professional Crt., Miss	2	Grade #2 - Clear	50,000 L	2,863,000
Malton Works Yard	7100 Fir Tree Dr., Miss	1	Diesel Grade #2 - Clear *	25000 L	48,313
		1	Diesel Grade #2 - Colour	5,000 L	24,976
Mavis Road Yard	3185 Mavis Rd., Miss	1	Diesel Grade #2 - Clear **	50,000 L	236,004
		1	Diesel Grade #2 - Colour	10,000 L (new)	78,432
Clarkson Works Yard	2167 Royal Windsor Dr., Miss	1	Diesel Grade #2 - Clear *	25,000 L	97,832
		1	Diesel Grade #2 - Colour *	5,000 L	51,021
Meadowvale Yard	6300 Millcreek Dr., Miss		Diesel Grade #2 - Clear *	25,000L	55,057
			Diesel Grade #2 - Colour	20,000 L	51,518
Lakeview Golf Course	1190 Dixie Rd., Miss	1	Grade #2 - Coloured	2,200 L / 500 gal.	15,000
Lakefront Promenade Marina	135 Lakefront Promenade Park, Miss	1	Grade #2 - Clear	2,000 gal.	98,000
Brae-Ben Golf Course	5700 Terry Fox Blvd., Miss	1	Grade #2 - Coloured	2,200 L	19,000

Generators					
Mississauga Civic Centre	300 City Centre Dr., Miss	2	Grade 2 - Coloured	Daytime: 210 gal. Night: 500 gal.	2,200
Living Arts Centre	4141 Living Arts Dr., Miss	2	Grade 2 - Coloured	Gen. Fuel: 1,135 L Fire Pump Tank: 1,135 L	800
Central Library	301 Burnhamthorpe Rd. W., Miss	1	Grade 2 - Coloured	1,137 L	700
Courthouse	950 Burnhamthorpe Rd. W., Miss	1	Grade 2 - Coloured	1,137 L	1,400
Hershey Centre	5500 Rose Cherry Pl., Miss	1	Grade 2 - Coloured	400 L	800
Fire Training Centre	7535 Ninth Line, Mississauga	3	Grade 2 - Coloured	1 - 25,000 L and 2 - 1,100 L	2,000

Bio Diesel					
B5 Bio Diesel Transit Building	3567 Erindale Stn Rd., Miss./ 975 Central Parkway W.,				410,000
B5 Bio Diesel Satellite	6780 Professional Crt., Miss				75,000

Estimated Annual Contract Value	\$ 19,200,000.00
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City of Mississauga
Corporate Report



Date: 2016/03/24

To: Chair and Members of General Committee

From: Martin Powell, P. Eng, Commissioner of Transportation and Works

Originator's files:
 MG.23.REP

Meeting date:
 2016/04/20

Subject

Contract Extension on a Single Source Basis for the Supply of Sodium Chloride for Winter Maintenance Operations, Procurement No. FA.49.476-09

Recommendation

That the Purchasing Agent be authorized to extend the existing contract (# 4600012036) with K + S Windsor Salt Ltd. on a single source basis for the Supply of Sodium Chloride for three years to include the winter seasons of 2016/2017, 2017/2018 and 2018/2019, for a total contract term of ten years and an estimated total contract value of \$38,312,000.

Report Highlights

- A competitive procurement process for the Supply of Sodium Chloride (salt) was conducted in 2009, for an initial contract term ending on April 30, 2012. The contract provided for multiple one year extensions. The supplier, K + S Windsor Salt Ltd. maintained their originally bid price each year which was favourable compared to the prices obtained by neighbouring municipalities. The contract was extended and expires on April 30, 2016.
- Market conditions indicate that if the City were to conduct a competitive bid process now the price per tonne would be a minimum of 8% to 12% higher than the current contract price of \$62.74/tonne.
- Staff have obtained a proposal from K + S Windsor Salt Ltd. offering a three year contract extension at a unit price of \$63.99/tonne (2% increase).
- Based on anticipated current market pricing, and factoring in the price increase proposed by K + S Windsor Salt Ltd., the City would save approximately \$461,160.00 to \$920,490.00 over three years by accepting K + S Windsor Salt Ltd.'s offer and not conducting a competitive bid process.
- In addition to this favourable offer, K + S Windsor Salt Ltd. have proven to be a reliable supplier to the City.
- Council approval is required for single source contract awards with a value of \$100,000 or more.

Background

A competitive bid process was conducted in 2009 for the Supply of Sodium Chloride. The contract was awarded to K + S Windsor Salt Ltd. (formerly The Canadian Salt Company Limited), being the lowest acceptable bid for the three year term covering the winter seasons of 2009/2010 through to 2011/2012. The contract provided for multiple 1 year extensions. Prices and quantity estimates were reviewed annually. K + S Windsor Salt Ltd. maintained their originally bid prices and reliable service despite shortages stemming from the Goderich tornado and extreme weather conditions including the 2013 ice storm. The contract was extended annually up to and including the 2015/2016 winter season.

This report seeks approval to extend the contract for an additional three years covering the winter seasons of 2016/2017, 2017/2018 and 2018/2019. K + S Windsor Salt Ltd. have proposed a 2% increase to their current, originally bid unit price for the extension period.

Present Status

The existing contract for Supply of Sodium Chloride will expire on April 30, 2016.

Comments

A benchmarking exercise with 9 neighbouring municipalities that have recently received bids for supply of sodium chloride showed that the price per tonne has increased from 8% to 25%. Of the nine municipalities, the City of Mississauga currently has one of the lowest unit prices. The City of London has a slightly lower price. The Cities of Toronto and Brampton and the Region of Peel all currently have significantly higher unit prices.

K + S Windsor Salt have provided reliable service to the City. During the 2013/2014 winter season, the City required 120,000 tonnes of salt. Salt shortages occurred that season due to extreme weather conditions. Some municipalities, such as Hamilton, were unable to obtain supply. K + S Windsor Salt Ltd. maintained the contract price and met the City's delivery requirements.

Accepting K + S Windsor Salt Ltd.'s offer will increase costs by approximately \$228,750.00 over the three year contract term. However, if the City were to conduct a competitive bid process now, it is anticipated that a minimum cost increase would result of 8% to 12% or \$689,910.00 to \$1,149,240.00 over three years. Factoring in the price increase proposed by K + S Windsor Salt Ltd., the City can expect to achieve minimum savings of \$461,160.00 to \$920,490.00 over three years by accepting K + S Windsor Salt Ltd.'s offer, rather than conducting a competitive bid process.

The Purchasing By-law # 374-2006 provides for single source contract awards under these circumstances, wherein it states under Schedule "A" (b) (iv) *the solicitation of competitive Bids would not be economical to the City.*

Financial Impact

Year	Season	Unit Price	Est. Quantity (tonnes)	Total
1	2009/2010	\$62.74	60,000	\$3,764,400.00
2	2010/2011	\$62.74	60,000	\$3,764,400.00
3	2011/2012	\$62.74	60,000	\$3,764,400.00
4	2012/2013	\$62.74	61,000	\$3,827,140.00
5	2013/2014	\$62.74	61,000	\$3,827,140.00
6	2014/2015	\$62.74	61,000	\$3,827,140.00
7	2015/2016	\$62.74	61,000	\$3,827,140.00
8	2016/2017	\$63.99	61,000	\$3,903,390.00
9	2017/2018	\$63.99	61,000	\$3,903,390.00
10	2018/2019	\$63.99	61,000	\$3,903,390.00
Total Estimated Contract Value				\$38,311,930.00

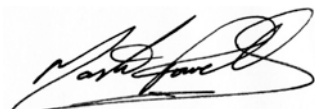
Conclusion

The City is currently paying a low unit price for salt supply in the GTA. Current market conditions indicate that the City can expect to pay a minimum of 8% to 12% more should it conduct a competitive bid process. Staff have obtained a proposal from K + S Windsor Salt Ltd. offering a three year extension to their existing contract at a unit price of \$63.99/tonne (2% increase) which staff consider to be favourable.

Accepting K + S Windsor Salt Ltd.'s offer will increase costs by approximately \$228,750.00 over the three year contract term. However, if the City were to conduct a procurement process now, it is anticipated that a cost increase would result of \$689,910.00 to \$1,149,240.00 over three years. Factoring in the increase proposed by K + S Windsor Salt Ltd., the City can expect to achieve estimated savings of \$461,160.00 to \$920,490.00 by accepting K + S Windsor Salt Ltd.'s offer, rather than conducting a competitive bid process.

Attachments

Appendix 1 – Scope of Work



Martin Powell, P. Eng, Commissioner of Transportation and Works

Prepared by: Bob Levesque, P.Eng., Manager, Works and Technical Services

Scope of Work

Appendix 1

The scope of work includes the supply and delivery of sodium chloride (rock salt) to designated City of Mississauga Works Yards for snow and ice control on municipal streets for the 2016/2017, 2017/2018 and 2018/2019 winter seasons.

YEAR	SPECIFICATION	DESCRIPTION	QUANTITY
2016/2017	OPSS 2502	Supply and Deliver Coarse Crushed Sodium Chloride to City Works Yards	61,000 tonnes
2017/2018	OPSS 2502	Supply and Deliver Coarse Crushed Sodium Chloride to City Works Yards	61,000 tonnes
2018/2019	OPSS 2502	Supply and Deliver Coarse Crushed Sodium Chloride to City Works Yards	61,000 tonnes

Estimated annual contract value: \$3,903,390.00