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Halifax Regional Council
April 3, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Mike Labrecque, P. Eng. Director Transportation & Public Works

DATE: March 20, 2007

SUBJECT: Performance Penalties - Grass Cutting and Landscape Maintenance

INFORMATION REPORT

ORIGIN

Committee of the Whole, February 20, 2007

BACKGROUND

During the Committee of the Whole presentation, staff was requested to provide further detail on increasing penalties to contractors for non-compliance of HRM Standards with respect to grass cutting.

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DISCUSSION

During the Committee of the Whole presentation on February 20, 2007, staff was requested to provide a report regarding increasing penalties to Contractors who do not perform to HRM Standards. According to the minutes, Councillor Adams "explained that the current penalty, an approximate average cost of \$0.22 cents per square metre, is not adequate to deter poor performance. There is in no incentive for contractors to do a good job."

Performance Based contracts are designed to ensure the contractors are responsible for work, which comprises the supply of all labour, materials, equipment, fuel, transportation, supplies, supervision, communication requirements, reporting requirements and customer service requirements necessary to perform grass cutting and landscape maintenance services in HRM. The contractors are to perform to a prescribed performance standard which is outlined in the contract:

- ▶ Athletic Fields to a height of between 2 ½ to 4 inches (5 - 10 cm);
- ▶ Parks and Green Spaces to a height of between 2 to 3 ½ inches (4 - 9 cm);
- ▶ Shrub Beds to (A) Service Level (i.e. 6 cuts) and (B) Service Level (i.e. 3 cuts).

Municipal Operations Supervisors will manage the contractors' performance to ensure the desired end result is achieved. Failure to perform will be controlled with various non-performance penalties, which are clearly stated in the contract documents.

A penalty clause has been added to the Technical Specifications (Customer Service Requirements), which speaks to non performance on individual complaints. This clause was not included in earlier contracts pertaining to grass. In order to ensure a high degree of quality customer service, maintaining an acceptable level of performance shall be regularly monitored by HRM. For every complaint not addressed within 36 hours of the receipt of the complaint (normally through the Hansen Customer Service system), HRM reserves the right to charge a penalty of \$150 per complaint, to be addressed at the time of billing.

A comparison of the cost to cut a typical sportfield can be used to illustrate the impact of imposing such a penalty. For example, the Sambro Elementary site is measured at approximately 11,635 square metres. The successful bidder for this contract (06-399, as approved by Regional Council on March 6, 2007) charges roughly \$122.00 per cut for this field (assuming 20 cuts per season). The contractor would suffer a loss for this site for any unaddressed complaint.

In the case of repeated or gross failure on the part of a contractor, HRM can rely on the portion of the contract pertaining to Performance Security. All bidders are to provide a bid deposit in the amount of 10% of their total tender price with the tender submission. For contracts with a value of less than \$50,000, the bid deposit (certified) cheque is retained as a Performance Security. For contracts with a value of \$50,000 to \$100,000, contract security may be in the form of either a bond in the amount of 50% of the total tender price or alternatively, a certified cheque or irrevocable letter of credit in the amount of 15% of the tender price. For contracts with a value greater than \$100,000

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but less than \$250,000, contract security may be in the form of a bond in the amount of the total tender price or alternatively, a certified cheque or letter of credit in the amount of 20% of the tender price.

Should the contractor fail to complete the terms of the contract or have the contract terminated for non performance the performance surety provided in the form of a certified cheque or irrevocable letter of credit will be forfeited in its entirety.

All the successful contractors live and offer their services here in HRM. Work completed on behalf of the municipality is especially important to these, often small, enterprises. In most cases, a contractor's incentive to provide good service tends to be very high - not due to fear of penalties but rather a good business ethic. Failure to perform not only results in possible monetary penalties, but in potential suffering of a business' local reputation, due to the very public nature of providing service to the municipality.

BUDGET IMPLICATIONS

There are no budget implications.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

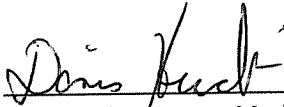
This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ATTACHMENTS

There are no attachments.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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