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Item No. 10.1.2

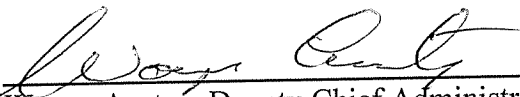
**Halifax Regional Council
October 23, 2007**

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Geri Kaiser, Acting Chief Administrative Officer



Wayne Anstey, Deputy Chief Administrative Officer - Operations

DATE: September 21, 2007

SUBJECT: **Centreline Paint Truck**

ORIGIN

On January 31, 2005, CAO Award Report Tender #04-342 was awarded to MacKay's Truck & Trailer Centre Ltd. for a 2004/2005 Model Tilt Cab Over Truck Chassis at a cost of \$123,494.23 (net HST included) from Capital Account CVD00413 - Fleet Vehicle Replacement.

In 2006/07 the truck was fitted up and equipped for an additional \$277,448.56 (net HST included) without an approved capital budget or public procurement process.

RECOMMENDATION

It is recommended that Council approve payment in the amount of \$277,448.56 (net HST included) to the Nova Scotia Transportation and Public Works (NSTPW) for the building of a centreline paint truck with funding from Capital Account No. CVD00413 as outlined in the Budget Implications section of this report.

BACKGROUND

HRM's former centreline truck was approximately 30 years old and had reached its life expectancy. It was originally built by NSTPW and purchased by HRM just after amalgamation. It was a specialized piece of equipment and not locally available as an "off the shelf" unit. The new centreline truck needed to accommodate waterborne paint to meet future environmental regulations. Therefore, tenders were issued for a 2004/2005 Model Tilt Cab Over Truck Chassis in the Fall of 2004 to replace the existing 1979 centreline truck. Through the appropriate CAO Award Report, Tender #04-342 was awarded to MacKay's Truck & Trailer Centre Ltd. for a cost of \$123,494.23 (net HST included) from Capital Account CVD00413 - Fleet Vehicle Replacement on January 31, 2005. The order was placed on February 1, 2005 and the 2004/2005 Model Tilt Cab Over Truck Chassis was received in June 2005.

The intent at the time was for Fleet Services to build the centreline truck in house with new equipment and any reusable parts salvaged from the existing centreline truck. It was anticipated that personnel from the NSTPW's shop experienced in building this equipment would provide some guidance with the build. Typically, work on vehicles of this nature is done using available operating funds from the business unit responsible for accepting the delivery of the vehicle. Sufficient funds were not available in the 2005/2006 budget year and as a result, the work on the centreline truck did not commence immediately upon the receipt of the chassis.

DISCUSSION

Under the assumption that the build could be financed out of operating funds, it was not until the 2006/2007 budget year that Traffic and Right of Way Services were able to ensure that sufficient operating funds were available to cover the cost of building the centreline truck. At that point, Fleet Services (who would normally carry out the construction) could not assign staff or space to a project of this duration due to its workload. In addition, centreline painting was to commence in May 2006 and the existing centreline truck was needed for the summer painting program. At the time it was the opinion of staff that centreline trucks were not normally produced locally and the specifics of the vehicle make it almost impossible to quote out the work.

The Province has been painting their road networks for years and had the most experience in the area for such a specific piece of equipment. They had previously built many centreline trucks including a waterborne model for their own maintenance operation. Although other heavy equipment shops did have the expertise necessary to construct this type of unit, the labour rates in these shops are significantly higher than comparable rates at NSTPW. Given that NSTPW was also a government agency, any parts would be purchased through their procurement policy. By having the unit built locally at NSTPW and by having our crews involved in the build, they will be more familiar with the operation and will be able to troubleshoot any future problems, address repairs, and keep the unit operational for the very short painting season. These factors and other benefits outlined in the discussion, in staff's opinion, made NSTPW the best option to produce the new waterborne centreline paint truck. Therefore, staff approached NSTPW and they agreed to build HRM a new centreline paint truck.

At the end of the painting season in the Fall of 2006, the new truck chassis and the old truck were delivered to NSTPW to commence the building of the new centreline truck and the transfer of reusable parts from the old truck. The centreline truck was built over the winter period and delivery was taken in May 2007. When payment was to be made, it was identified by Procurement that the appropriate approval process hadn't been followed for this level of funding. The error is unfortunate but was not a deliberate attempt to avoid the process. It was due to a misunderstanding on staff's part as to who and how the process was to be handled given the involvement of another Government Department.

In addition, by the time delivery of the truck was taken in May 2007, the operating funds which had previously been available in Traffic and Right of Way Services operating budget were absorbed into the 2006-07 year end results without an allowance being made for the expenditure. As a result, there was specific account or capital budget available in the 2007-08 budget from which to pay the invoice. Several sources of funding were considered with a decision that the funds could be available within the Transportation & Public Works portion of the Fleet Replacement Capital Account.

The new centreline paint truck is a state-of-the-art piece of equipment and gives HRM the ability to provide a product in a more cost-effective and environmentally safe manner. Some of the highlights are:

- Increased paint carrying capacity. The new centreline paint truck is capable of carrying 135% more paint (6,600 litres versus 2,800 litres) than the old truck.. The paint crew can now paint continuously for longer periods without having to go back for a paint refill in a middle of a shift. This will result in labour cost savings.
- All paint equipment components are stainless steel. This is important because HRM now has the ability to use waterborne paint for the first time. Most of the components in the old truck were galvanized steel. Thus, alkyd paint could only be used since waterborne paint reacts adversely to metals other than stainless steel. The switch to waterborne paint is significant from an environmental standpoint. Alkyd paint is a solvent-based product that contains volatile organic compounds (VOC) which contribute to greenhouse gases. VOCs have been targeted for reduction by Environment Canada. This was the perfect opportunity for HRM to switch as well since the centreline truck had to be replaced.
- No solvents are required for clean up. When using waterborne paints, only water is required to clean the equipment. This makes the cleaning process much safer and easier for staff since it does not involve the handling of toxic solvents. The purchase of solvents (approximately \$2,000 /year) and costs for the disposal of used solvents is no longer required.

BUDGET IMPLICATIONS

This is a prior period cost that was not included in the approved 2007/08 capital budget.

There is unspent budget from non-reserve sources in Capital Account No. CVD00413 to fund the invoice. Funding availability has been confirmed by Financial Services.

Budget Summary: Capital Account No. CVD00413 - Fleet Vehicle Replacement

Cumulative Unspent Budget	\$1,812,675
Less NSTPW invoices	\$ 277,449
Uncommitted Budget	\$1,535,226

This item was originally estimated to cost between \$200,000 and \$300,000.

If approved, this will result in the deferral of approved 2007/08 Fleet replacements.

Any remaining funds will be used for other items within the scope of this project.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

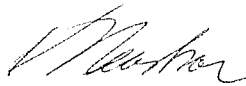
This transaction does not comply with the Municipality's Multi-Year Financial Strategy, and the approved Operating and Capital budgets, policies and procedures. The transaction also does not comply with the HRM Procurement Policy. Reserve budgets, policies and procedures are not applicable to this report because this expenditure does not meet the requirements for reserve funding.


ALTERNATIVES

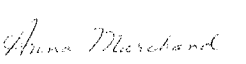
There are no recommended alternatives.

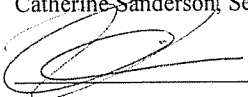
A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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