

HALIFAX

P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 11.3.1
Halifax Regional Council
August 4, 2015

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed

SUBMITTED BY: Councillor Bill Karsten, Chair, Audit & Finance Standing Committee

DATE: July 23, 2015

SUBJECT: Tenders - Winter Streets Snow and Ice Control

Award Tender No. 15-071 - Waverley/Cole Harbour / Eastern Passage
Award Tender No. 15-072 - Hammonds Plains / Bedford
Award Tender No. 15-073 - Herring Cove / Bayers Lake/ Timberlea
Award Tender No. 15-080 - Lakeview / Lower Sackville

ORIGIN

July 15, 2015 meeting of the Audit & Finance Standing Committee, Item No. 9.1.3

LEGISLATIVE AUTHORITY

Audit & Finance Standing Committee Terms of Reference section 3.8, which states "to review and make recommendations on proposals coming to Halifax Regional Council outside of the annual budget or tender process including but not limited to:

- New Programs or services not yet approved
- Programs or services that are being substantially altered
- Proposed changes in operating or budget items
- Committing of funds where there is insufficient approved budget, or,
- New or increased capital projects not included in the approved budget
- Increases in project budget due to cost sharing
- Creation or modification of reserves and withdrawals not approved in the approved budget

RECOMMENDATION

It is recommended by the Audit & Finance Standing Committee that the July 10, 2015 staff report and recommendations be referred to Halifax Regional Council for consideration following the upcoming Committee of the Whole on Snow and Ice removal.

BACKGROUND

A staff report dated July 10, 2015 pertaining to Tenders for Winter Streets Snow and Ice Control was before the Audit & Finance Standing Committee at its meeting held on July 15, 2015.

For further information, please refer to the attached staff report dated July 15, 2015.

DISCUSSION

Staff responded to questions from the committee in relation to the time sensitive nature of the tenders for snow and ice control. The Audit & Finance Standing Committee expressed concern in forwarding recommendations on this matter to Regional Council in advance of the upcoming Committee of the Whole on Snow and Ice Removal. As such, the Audit & Finance Standing Committee forwarded the report and recommendations to Regional Council for Council's consideration following Committee of the Whole on Snow and Ice Removal scheduled for August 4, 2015.

FINANCIAL IMPLICATIONS

As outlined in the staff report dated July 15, 2015.

COMMUNITY ENGAGEMENT

All meetings of the Audit & Finance Standing Committee are open to the public. The agenda and reports are provided online in advance of the meeting.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications identified with this report.

ALTERNATIVES

The Audit & Finance Standing Committee did not discuss alternatives.

ATTACHMENTS

1. Staff report dated July 10, 2015.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Liam MacSween, Legislative Assistant, 902.490.6521



P.O. Box 1749
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Attachment 1
Audit & Finance Standing Committee
July 15, 2015

TO: Chair and Members of Audit & Finance Standing Committee
Original Signed

SUBMITTED BY: _____
Richard Butts, Chief Administrative Officer
Original Signed

David Hubley, A/Director, Transportation and Public Works

DATE: July 10, 2015

SUBJECT: Tenders - Winter Streets Snow and Ice Control
Award Tender No. 15-071 - Waverley/Cole Harbour / Eastern Passage
Award Tender No. 15-072 - Hammonds Plains / Bedford
Award Tender No. 15-073 - Herring Cove / Bayers Lake/ Timberlea
Award Tender No. 15-080 - Lakeview / Lower Sackville

ORIGIN

This report relates to the service delivery of snow and ice control for streets and roads in various areas of the municipality.

LEGISLATIVE AUTHORITY

Under the Halifax Regional Municipality Charter, Section 79 Halifax Regional Council may expend money for municipal purposes. Administrative Order #35, the Procurement Policy, requires Council to approve the award of contracts for sole sources exceeding \$50,000 or \$500,000 for tenders and RFP's. See Charter Sections 79(1) and 322(3).

RECOMMENDATION

It is recommended that the Audit and Finance Committee inform Council that the potential \$6,000,000 shortfall resulting from their approval of the attached tenders would be offset by operational savings within the Snow and Ice budget, through the projections reporting and, if required, by funding any remaining shortfall through reserves.

It is recommended that the Audit & Finance Committee recommend that Halifax Regional Council award Tender 15-071, 15-072, 15-073 for Winter Streets Snow and Ice Control to the lowest bidder, meeting specifications noted and at the estimated prices provided below, for the period of November 1 to May 15 inclusive each year of a four-year term for years 2015/16 through 2018/19, with four (4) one year options (at HRM's sole discretion).

Recommendation Continued on page 2.

It is also recommended that the Audit & Finance Committee recommend that Halifax Regional Council award Tender 15-080 for Winter Streets Snow and Ice Control to the lowest bidder, meeting specifications noted and at the estimated price provided, for the period of November 1 to May 15 inclusive each year of a two-year term for years 2015/16 and 2016/2017.

Each year of the agreement will be subject to annual review of performance, service and operational requirements. Funding will be from Operating Account R880-6399, as outlined in the Financial Implications section of this report. The recommended bidders are:

Award Tender 15-071 to Ocean Contractors for a total estimated tender price of \$17,459,457.83 (net HST included).

Award Tender 15-072 to Dexter Construction for a total estimated tender price of \$14,412,846.63 (net HST included).

Award Tender 15-073 to Dexter Construction for a total estimated tender price of \$11,526,418.72 (net HST included).

Award Tender 15-080 to Dexter Construction for a total estimated tender price of \$3,554,588.31 (net HST included).

BACKGROUND

Consistent with the direction initiated in 2011, these tenders reflect an expansion of the geographic area to be covered by fixed cost contracted snow and ice clearing. This helps HRM fulfill the objective to consolidate our existing complement of in-house labour and equipment into a smaller geographical area; our in-house area of responsibility would be approximately half of what it was in 2014/15. By taking this approach, we are able to reduce one of our largest variable costs – hourly-based contracts. In addition, the contractors will be responsible for supplying their own salt and sand, as well as, reparation of damaged infrastructure, resulting in further savings which are outlined in the Financial Implications section.

Considerable experience has been gained through the supervision and administration of successful performance-based grass contracts and performance-based sidewalk snow and ice contracts. Staff is confident in the ability to successfully manage street based contracts given the experience gained through the original tenders in both 2011 and 2013.

Tenders 15-071, 15-072 and 15-073 will better position us for improved budget certainty with an extended duration (a four-year commitment through 2018/19 with the option to renew annually through 2021/22), ultimately allowing for enhanced efficiencies and outcomes.

Tender 15-080 (Lakeview/Sackville) is structured as a two-year term so that it will coincide with the expiration of tenders 13-050 (Windsor Junction/Fall River) and 13-051 (Upper Sackville/Beaverbank). Upon expiration of all three of these tenders in 2017, the areas will be combined and re-tendered as one, bringing the total number of snow areas done under contract to four.

It is important to note that we have made a number of changes/ enhancements to the new contracts, including a requirement for bidders to clearly demonstrate they have:

- An inventory of specific equipment (e.g. grader, loaders, backhoes, loader mounted blower);
- Capacity to not just use a plow truck on smaller, narrow cul-de-sacs; they will be required to bucket the snow and/or haul it more frequently;
- Capacity to use brine (direct liquid application) when it's feasible to do so. This aligns with our salt management plan;

- Capacity to provide regular and effective communications to Winter Operations (e.g. daily updates, plans for each weather event); and
- Experience delivering similar snow and ice clearing performance;

DISCUSSION

Tenders 15-071, 15-072, 15-073 were called and posted to the Province of Nova Scotia's Procurement website on June 16th 2015 and closed on July 7th 2015. Tender 15-080 was called and posted to the Province of Nova Scotia's Procurement website on June 16th 2015 and closed on July 8th 2015. A mandatory bidders meeting was held on June 25th 2015.

Qualified Bids were received from the following companies:

Tender 15-071 Waverley/Cole Harbour / Eastern Passage		
Name of Company	Year 1 Total Including Net HST	4 Year Total Including Net HST
Ocean Contractors*	\$4,394,090.61	\$17,459,457.83
Dexter Construction	\$4,606,834.05	\$19,273,095.66
Optional years 5, 6, 7 and 8 are estimated at a total cost of \$18,350,065.48 (net HST included)		

Tender 15-072 Hammonds Plains / Bedford		
Name of Company	Year 1 Total Including Net HST	4 Year Total Including Net HST
Dexter Construction*	\$3,445,088.01	\$14,412,846.63
Ocean Contractors	\$4,223,583.00	\$16,281,912.47
Optional years 5, 6, 7 and 8 are estimated at a total cost of \$15,148,046.51 (net HST included)		

Tender 15-073 Herring Cove / Bayers Lake/ Timberlea		
Name of Company	Year 1 Total Including Net HST	4 Year Total Including Net HST
Dexter Construction*	\$2,755,236.12	\$11,526,418.72
Ocean Contractors	\$3,145,870.62	\$12,659,694.68
Optional years 5, 6, 7 and 8 are estimated at a total cost of \$12,114,381.80 (net HST included)		

Tender 15-080 Lakeview / Lower Sackville		
Name of Company	Year 1 Total - Including Net HST	2 Year Total Including Net HST
Dexter Construction*	\$1,750,961.94	\$3,554,588.31
Ocean Contractors	\$1,977,919.56	\$3,914,416.72

*** Recommended Bidder**

The decision to move from an in-house solution to a Performance Based one is not made solely on the basis of cost. While less expensive on average in this case, a move to introduce Performance Based contracts in these areas will not result in any loss of CUPE work, rather it will enable a re-allocation of in-house crews to other areas of the municipality.

Collective Agreement Considerations

The work to be performed under the proposed contract is within the scope of activity that has historically been shared between contractors and HRM employees represented by CUPE Local 108. Consultations were held with CUPE representatives and they are supportive of these tenders. Staff is satisfied that these tenders are fully compliant with any Collective Agreement requirements necessary for HRM to contract for the work.

The tender price increases can be attributed to several factors. The 2013/2014 and 2014/2015 winter seasons saw a marked increase in precipitation and weather severity; a portion of the contract increase can be attributed to this.

Furthermore, fundamental changes to the structure and requirements under the contracts have been made, including an increase in the duration of the season (from 22 to 28 weeks) and an increase in the geographical limits of the contracts; shifting the boundaries into more urban areas of the city (Bedford, Herring Cove and Cole Harbour). More urban areas have a higher concentration of bus stops, cul-de-

sacs, catch basins, crosswalks and locations with limited snow storage. This requires an increased capacity for snow hauling with specialized equipment such as loaders with snow blowers, graders, backhoes and dedicated/multiple crews for contiguous work activities.

As with any contract that Road Operations tenders for, gaps in old contracts are identified and changes are made to ensure better service. Now included are specific requirements that better align the resources, operational strategies and communications requirements of contractors to those of the municipality (including salt management and the mandatory use of direct liquid brine application and/or pre-salting before forecasted weather events). These strategies contribute to the overall success of a winter operations plan and the consistency of messaging delivered by staff.

These tenders also include the requirement for the contractor to perform the spring sweeping of any traction sand left behind from winter operations and grading of all HRM owned and serviced gravel roads within the contract boundary. Typically this work would be done through separate tenders and including it in the snow and ice contract provides a more inclusive and structured approach to winter service delivery.

The link of the contractors to the HRM Corporate Call Center has also been enhanced in these contracts. The contractor is required to have 24/7 coverage on-site and available within the contract boundary through the use of one direct phone number and/or one email address.

FINANCIAL IMPLICATIONS

The increased cost of the additional routes being awarded is approximately \$6 million per year and should be partially offset by estimated annual savings of \$2,000,000 in 2015/16, as well as future years.

The remaining increase to the contract of approximately \$4 million will be managed within the approved 2015/2016 HRM operating budget, and specifically through the quarterly projection reports. Should there be significant overages at the end of 2015/16, there are several Reserves available (Q308 Operations Stabilization, Q309 Snow & Ice Control and Q328 Operating Surplus) that could help cover any shortfalls.

Increased costs	\$6,000,000
Estimated Operational Savings (see below)	<u>\$2,000,000</u>
Remaining budget shortfall	\$4,000,000

Estimated Annual Savings

Category	Current Budget	Estimated Savings
Salt	\$1,625,200	\$800,000
Sand	\$124,600	\$100,000
Retainers for hourly-based contractors	\$614,400	\$300,000
Usage for hourly-based contractors	\$1,400,000	\$700,000
Infrastructure Repair	\$150,000	\$100,000
Total Estimated Savings		\$2,000,000

COMMUNITY ENGAGEMENT

No community engagement was required.

ENVIRONMENTAL IMPLICATIONS

No implications identified.

ALTERNATIVES

There are no recommended alternatives to consider.

ATTACHMENTS

None

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

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Report Approved by:

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Financial Approval by:

Bruce Fisher, Acting Director of Finance & ICT/CFO, 902.490-6308
