TO: Chair and Members
   Public Works Committee
WARD(S) AFFECTED: CITY WIDE

COMMITTEE DATE: March 1, 2010

SUBJECT/REPORT NO:
Vendor Approval Requests - PW10019 - (City Wide)

SUBMITTED BY:
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Public Works Department

PREPARED BY:
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SIGNATURE:

RECOMMENDATION:

That staff of the Transit Section be authorized to use Purchasing Policy 11 to single source from the following Original Equipment Manufacturer (OEM) for parts to maintain and repair Revenue Transit Vehicles for the 2010 calendar year:

(a) New Flyer Industries, estimated at $675,000,
(b) Harper Power Products, estimated at $700,000,
(c) Cummins Eastern Canada, estimated at $350,000,
(d) Tarten Equipment, estimated at $300,000.

EXECUTIVE SUMMARY

The Transit Fleet consists of 217 Revenue Transit Vehicles (buses). Replacement of Revenue Vehicles in 2010 is budgeted at $8,237,000.

The Transit Fleet consumes a high volume of parts and some services to operate in a state of good repair. This satisfies a number of goals related to health and safety, cost-efficiency, service delivery and customer satisfaction.

The Transit Industry differs from general automotive parts procurement in that there are a limited number of vendors who provide OEM parts and services for buses. To maintain competitive pricing and service, the Transit Fleet deals with a number of outside vendors to supplement the in-house work force.
Four vendors will meet the requirement to obtain Council approval for a request to use Purchasing Policy 11 authorizing the use of a single source for repairs and maintenance.

Alternatives for Consideration - See Page 3

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS**

**Financial:** There are no financial implications. Adequate budget has been proposed in our 2010 tax-supported operating budget.

**Staffing:** There are no staffing implications unless the recommendation is denied. Compliance with the current Purchasing Policy is difficult with the existing staff because of the extraordinary number of vendors used to support the complex Transit Fleet operation.

**Legal:** None

**HISTORICAL BACKGROUND**

Transit is unique in the fact that the Transit Division provides maintenance and repair services, both directly (approximately 90%) using in house staff operating out of one garage. In house service is provided by 43 mechanics covering seven days a week twenty-four hours a day, three hundred and sixty-five days a year. The remaining (approximately 10%) is out-sourced due to warranty claim work or occasional severe work load conditions.

Transit has historically used Policy 11 requests to approve business relations with external vendors for the procurement of parts and repairs to buses.

A tender for the repair and maintenance of light-duty fleet was issued and closed in November 2009.

**POLICY IMPLICATIONS**

The City of Hamilton Purchasing Policy, Section 4.11, Policy for Negotiations allows for the use of negotiations when a single source for the supply of a particular Good and/or Service is being recommended because it is more cost effective or beneficial for the City.

Single source requests which are $250,000 or greater must have Council approval prior to initiating the negotiation process.

This recommendation aligns with the Public Works *Innovate Now* Business Plan by ensuring that equipment is maintained and completes its expected lifecycle, and costs are kept to a minimum.
RELEVANT CONSULTATION

The City’s Purchasing Section has been consulted frequently over the past year to replace Policy 11 requests with contracts. With the assistance of Purchasing, a number of informal quotes have been issued by the Transit Division to help reduce the number of Policy 11’s required.

ANALYSIS / RATIONALE FOR RECOMMENDATION

Due to the specialized nature of the Transit Fleet there is a limited availability of vendors to source parts from. The current stock room inventories over 8,000 parts to maintain our revenue fleet of 217 buses. Buying from these single sources allows us to reduce the number of invoices from various vendors which reduce the number of internal resources required to process payment to suppliers.

ALTERNATIVES FOR CONSIDERATION

Compliance with current purchasing policies cannot be achieved without increased staffing in the Transit Fleet section to draft and issue Request for Quotations to the extraordinary number of vendors for Transit parts relative to other City operations. As such, Transit staff is exploring alternatives to the existing policy with Purchasing with a goal to finding a solution that will achieve acceptable purchasing practices without the need to hire additional staff in Transit. There will also continue to be a need to source highly technological, specialized and expensive parts from a limited number of vendors.

Metrolinx is currently constructing an RFP for supply of bus parts as they have for bus procurement. Hamilton is currently a member of the Provincial Bus Procurement Program, and to date the experience has been positive. A tentative issue date for this latest initiative from Metrolinx is Q1 2010. In the interest of our commitment to achieve compliance with corporate purchasing policy in the shortest time frame staff is recommending pursuit of compliance through the Metrolinx initiative as the most expedient with the added potential for both cost avoidance from the requirement to add staff as well as cost reduction through lower cost bus parts.

Should the Metrolinx RFP be successful, Transit will return to Council seeking approval for the use of Purchasing Policy 4.12, Policy for Cooperative Purchasing.

CORPORATE STRATEGIC PLAN


Financial Sustainability

• Financially Sustainable City by 2020
• Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner
• Full life-cycle costing for capital

**Intergovernmental Relationships**
• Influence federal and provincial policy development to benefit Hamilton
• Maintain effective relationships with other public agencies

**Growing Our Economy**
• Competitive business environment

**APPENDICES / SCHEDULES**

None