

Memo



Date: January 17, 2011
File: 1280-01
To: City Manager
From: Darryl Astofooroff, Transportation Services Manager
Subject: Hired Equipment Procurement

Report Prepared by: Alf Soros, Equipment Manager, Maureen MacGillivray
Purchasing Manager

Recommendations:

THAT Council receive, for information, the report from the Transportation Services Manager dated January 17, 2011 with respect to hired equipment procurement.

AND THAT Council approves procurement of hired equipment based on best value.

Purpose:

This report to Council outlines the changes proposed by the Equipment Division to improve efficiency, safety and sustainability for equipment hired by the City. The recommendations are a result of an internal business process review by Transportation Services, Purchasing and the Strategic Initiatives Division and are in keeping with City Council's desire to procure products and services in a more sustainable manner.

Background:

The City of Kelowna Equipment Division is responsible for the provision of vehicles and heavy equipment for all City Divisions. The Equipment Division assigns equipment from the city owned fleet to city divisions as requested and tracks utilization. Equipment is shifted between divisions depending upon seasonal requirements and project needs. In addition a centralized service is provided by the Equipment Division for hired equipment from the private sector. There is a heavy reliance on private sector equipment and in 2010 costs were approximately \$2.7 million. Historically, the determining factor for hired equipment has been based on price only. Through the internal business process review, it was clearly established that the objective is to provide appropriate equipment and resources based on the needs of the end users through an approach that considers the multiple pillars of sustainability - economics, social and the environment.

Proposed Changes and Desired Outcomes

The Equipment Division requested the Strategic Initiatives Division undertake a review of Hired Equipment policies and procedures to determine what opportunities existed to increase customer service, provide equipment to city departments that meets their needs and also increase their ability to be more productive and efficient. More importantly, it was also determined that there is a clear opportunity to introduce multiple pillars of sustainability when hiring equipment. The procurement

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of hired equipment should be based on best value in order to meet these identified opportunities/recommendations.

Based on the review the following changes are being recommended:

1. Use the Request for Proposal (RFP) as the procurement process. Historically, a tender procurement process was used which is based solely on price. The RFP process means that lowest price may not necessarily be the equipment hired. Each proposal would be evaluated based on weighted criteria (e.g. equipment; age of equipment; experienced equipment operators; price; safety training; etc.). It should also be noted that the tender process of selecting the lowest bid does not necessarily result in the lowest actual costs for city projects as the low bidder might be half as productive as the second lowest bidder.
2. The RFP will evaluate each proponent's proposal based on a set of minimum requirements including environmental sustainability criteria. For example, the City would like to hire newer more sustainable equipment rather than older equipment that generally has a greater carbon footprint or generates excessive pollution. This and other environmental requirements for the contractor such as no idling programs and spill response programs will send a clear message to equipment contractors of the City's commitment to environmental sustainability.
3. The RFP will also evaluate each proponent's provision of training programs for their operators and a resume of each operator's experience proposed to operate the hired equipment. Better trained seasoned operators will ensure a higher standard of productivity, efficiency and safety achieving the City's goal of supporting social sustainability initiatives.
4. A daily tracking report will be introduced for all hired equipment to assist the City's contract administrator (equipment supervisor) of ongoing compliancy to contract terms and conditions.
5. To ensure productivity and accountability, automatic vehicle locators (AVL) on hired equipment will be a requirement where practical.
6. Economic sustainability will be achieved as price will be one of the weighted evaluation criteria.

In addition to the above, we will review in 2011 the possibility of introducing in the future Provincial equipment rates provided in the Equipment Rental Rate Guide or The Blue Book. The Blue Book rates are on average approximately 4% higher than the historical rates (based on all equipment types and age categories) obtained through the tender process. Based on the objectives determined through the business review and the goals of multiple bottom lined sustainable procurement, these established rates will promote local equipment contractors to invest in better sustainable equipment, increase the performance of their operators and increase the level of safety through better training.

Outcomes of New Process:

- Over time this will lead to a more standardized business process for all stakeholders.
- Providing end users with the equipment and operator(s) that meets the requirements for that specific job by procuring resources using a method that determines best value.
- More sustainability practices and consideration on multiple fronts.

- Strong message to Contractors that the City is moving toward business practices that ensure a sustainable future for our community and that we want to hire contractors that share similar business practices.
- Process considers all important criteria not just price. Encourages best practices such as operators' training and equipment suitability.
- Improves performance levels.
- Increases safety on job sites and safety for the general public.

Considerations of New Process

- Although one of the outcomes is that rates/hour may increase, it does not necessarily mean overall costs will increase as more productive hired equipment and operators will be used.
- It is anticipated that contractors will require assistance as the new procurement process and contract administration is introduced. There will be a pre-bid meeting to answer questions and an opportunity to submit written questions while the procurement competition is open.
- Some of the existing companies may protest the new process as they wish to compete based on cost only however the City will advise that the desired outcome is for the overall delivery of services to be done in a more sustainable manner. Some companies may applaud the new process as competition will now be on a more level playing field.

Internal Circulation:

Director, Civic Operations
Director, Corporate Services
General Manager, Community Services

Existing Policy: Purchasing Bylaw 9590

Financial/Budgetary Considerations: No increase to taxation is anticipated in 2011.

Considerations not applicable to this report:

Personnel Implications: N/A
External Agency/Public Comments: N/A
Community & Media Relations Comments: N/A
Alternate Recommendation: N/A
Legal/Statutory Authority: N/A
Legal/Statutory Procedural Requirements: N/A

Submitted by:



Darryl Astooroff
Transportation Services Manager

Approved for inclusion:



Joe Creron, Director, Civic Operations

Cc Director, Community and Media Relations
Manager, Service Innovation and Performance