

Clause 2 in Report No. 4 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on March 24, 2016.

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Fleet Services Procurement Processes

Committee of the Whole recommends adoption of the following recommendation contained in the report dated February 17, 2016 from the Commissioner of Transportation Services:

1. Council authorize the Commissioner of Transportation Services to purchase parts, equipment and maintenance services for the Region's fleet vehicles directly from the original manufacturer or sole distributor, provided the total value of goods and services paid annually to each vendor does not exceed \$500,000 and is within budget authority.

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Report dated March 3, 2016 from the Committee of the Whole now follows:

1. Recommendation

It is recommended that:

1. Council authorize the Commissioner of Transportation Services to purchase parts, equipment and maintenance services for the Region's fleet vehicles directly from the original manufacturer or sole distributor, provided the total value of goods and services paid annually to each vendor does not exceed \$500,000 and is within budget authority.

2. Purpose

This report seeks Council authority to implement a procurement process for Fleet Services to provide more cost-effective management of specialized heavy duty vehicle and equipment repair and maintenance. Council approval is required under the Purchasing Bylaw to increase the delegated authority for fleet-related direct purchases from the original manufacturer or sole distributor without a public procurement process.

This report also advises Council of staff's intent to issue a request for proposal (RFP) to procure light and medium duty vehicles from a limited number of manufacturers for a five-year term.

### 3. Background

Fleet Services manages a wide range of vehicles and equipment to meet the needs of multiple Regional departments

The Fleet Services division of Transportation Services supports vehicle and equipment needs for multiple Regional departments and branches. The primary users are the Roads and Traffic Operations and Transit Branches in Transportation Services, as well as the Operations, Maintenance and Monitoring Branch in Environmental Services.

To meet the varied needs of Regional departments, the corporate fleet includes a wide variety of vehicles. Fleet vehicles are categorized into four general vehicle classes as described in Table 1.

**Table 1  
Classes of Fleet Vehicles**

Class	Number of Units	Total Current Value (\$ millions)	Description
Light Duty	225	6.4	Cars, small vans and pick-up trucks with a Gross Vehicle Weight (GVW) under 4,500 kg
Medium Duty	56	3.3	Large pick-up trucks, forestry trucks and cargo vans with a GVW between 4,500 kg and 9,000 kg
Heavy Duty	31	8.9	Crane trucks, dump trucks, snowplows, street sweepers and line painting trucks with a GVW above 9,000 kg
Construction Equipment	165	6.3	Tractors, loaders, mowers, trailers and off-road equipment.

Currently, Requests for Tender are issued but do not attract many quality bids

Fleet Services purchases approximately 40 new light and medium duty vehicles annually for approximately \$1.8 million. Given the unique vehicle needs of departments, light and medium duty vehicles are purchased throughout the year. Similar vehicle purchases are grouped whenever possible and each purchase is competitively tendered in accordance with the existing Purchasing Bylaw. This can be

problematic as the purchase of five to ten vehicles is considered a small procurement for vehicle manufacturers and therefore, does not attract many competitive bids. As a result, few bids are received for each tender and the quality of bids is often poor, resulting in bid review committees and bid disqualifications. In 2014 there were eight different tenders for light and medium duty vehicles. Seven of these tenders required a bid review committee to determine how to address bid irregularities.

Fleet-specific procurement processes are in place in other jurisdictions

Jurisdictions in southern Ontario and in other provinces have identified the unique needs for fleet procurement. In response, fleet-specific procurement processes were implemented to increase competition, minimize the number of vehicle manufacturers, and allow for direct purchases from the original manufacturer or sole distributor to support purchased assets. Jurisdictions include:

1. City of Ottawa
2. City of Hamilton
3. City of London
4. City of Brantford
5. City of Edmonton

#### 4. Analysis and Options

Staff will be implementing longer-term contracts with manufacturers to provide light and medium duty vehicles

The existing fleet of 281 light and medium duty vehicles includes vehicles from eight different manufacturers. Through a RFP process, staff will select a limited number of manufacturers to supply vehicles as needed for a five-year term. It is anticipated that this strategy will result in the following:

1. More competitive bids and pricing with fewer irregularities as contract quantities will be larger. A RFP process will assess manufacturers based on life cycle value of the vehicles, not solely the initial purchase price.
2. Increased purchasing power for common maintenance parts that are stocked by Fleet Services. With fewer manufacturers, larger quantities of common parts can be purchased at lower unit prices.
3. Streamlined internal vehicle maintenance with less specialized equipment required to service vehicles from multiple manufacturers. Most manufacturers require specific diagnostic equipment to determine maintenance needs for vehicles. With

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existing eight manufacturers, vehicle technicians require more equipment and time to diagnose and address issues.

The transition from a tender process to a RFP process for the procurement of light and medium duty vehicles will be a significant change in the business practices for Fleet Services.

Specialized heavy duty equipment is most effectively maintained through parts and service from original equipment providers

The highest maintenance cost in Fleet Services is for specialized equipment in the heavy duty fleet. For this reason, the Region's internal maintenance technicians perform about 50 per cent of the maintenance and repairs associated with heavy duty equipment. It is not cost-effective to undertake the balance of the work internally as it requires a cost-prohibitive investment in repair tools and highly specialized training. The high cost also limits the number of vendors able to provide servicing. Parts and service are typically limited to the original equipment providers or exclusive dealerships operating as sole distributors.

The extended delegated authority for direct purchases of service and parts from original equipment providers or sole distributors will permit the Region to leverage advantageous pricing and ensure that vehicle and equipment warranties are not jeopardized.

The Region's Purchasing Bylaw provides for Council to approve specific procurement practices when appropriate

The Purchasing Bylaw generally requires that goods and services be procured through a public procurement process. However, in recognition of the unique needs of certain business areas, Section 3.3 of the Bylaw provides for Council to authorize a specific procurement practice where the best interests of the Region will be served.

Accordingly, staff recommend that Council approve the purchase of parts and maintenance services for the Region's fleet directly from the original manufacturers as necessary. The use of factory-authorized parts and service is preferable to maintain warranties that would otherwise become void if other parts are used. As with light and medium duty vehicles, it is typical for operations and maintenance costs of heavy duty vehicles to exceed the original purchase price. The Region will ensure continued value for money for the costs of these parts and services by dealing directly with the original provider or sole distributor and secure annual pricing discounts for all services and parts provided to the Region.

Link to key Council-approved plans

This report links to the following Council-approved plans and policies:

Vision 2051

1. Implementation of the recommended processes for Fleet Services will provide for more cost-effective management of vehicle and equipment supply, and maintenance will support the goal area of 'Open and Responsive Governance'. It will promote responsible stewardship of the Region's finances and assets as well as practicing efficiency and innovation in service delivery and operations.

2015 to 2019 Strategic Plan

2. Implementation of the recommended processes will support the strategic priority area of 'Providing Responsive and Efficient Public Service' by ensuring the Region's fleet assets are managed in a fiscally prudent and efficient manner.

### 5. Financial Implications

Corporate users of fleet assets fully fund the operating and capital replacement costs associated with vehicles and equipment. The procurement process for Fleet Services proposed in this report seeks to minimize operating costs through reduced equipment downtime, more efficient maintenance and reduced inventory requirements. It is proposed that the authority to purchase parts and service directly from manufacturers be limited to a maximum \$500,000 per year per supplier.

### 6. Local Municipal Impact

There is no impact to local municipalities as a result of the procurement process proposed in this report.

### 7. Conclusion

Staff recommend that the Commissioner of Transportation Services be authorized to purchase vehicle parts, equipment and maintenance services directly from the original manufacturer or sole distributor. The Purchasing Bylaw provides for Council to approve procurement processes that may not involve a public procurement process where to do so would be in the best interests of the Region. Staff recommend that

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Council approve this procurement process to assist in cost-effectively maintaining fleet vehicles.

For more information on this report, please contact Brian Titherington, Director, Roads and Traffic Operations at ext. 75901.

The Senior Management Group has reviewed this report.

February 17, 2016

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Accessible formats or communication supports are available upon request.