

Clause No. 2 in Report No. 2 of the Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting on January 23, 2014.

**YORK-DURHAM SEWAGE SYSTEM
PRIMARY SYSTEM PREFERRED SUPPLIER GUIDELINE**

Committee of the Whole recommends adoption of the following recommendations contained in the report dated December 18, 2013 from the Commissioner of Environmental Services:

1. RECOMMENDATION

It is recommended that:

1. Council authorize application of the York-Durham Sewage System – Primary System Preferred Supplier Guideline for procurement of goods and services specific to future works within the York-Durham Sewage System – Primary System.

2. PURPOSE

This report seeks Council authorization to apply a York-Durham Sewage System (YDSS) – Primary System Preferred Supplier Guideline in accordance with Section 10.1 of the Regional Purchasing Bylaw, *Bylaw No. 2009-41*. This section states that a sole-source purchase may be made for the procurement of goods, services or construction without issuing a call for bids where the compatibility of a purchase with existing equipment, facilities or service is the paramount consideration and Council has authorized a sole-source purchase pursuant to a report or the purchase is the subject matter of a joint agreement with other area or regional municipalities.

3. BACKGROUND

Complexity and magnitude of the York-Durham Sewage System – Primary System requires a Preferred Supplier Guideline

The York-Durham Sewage System – Primary System includes the Duffin Creek Water Pollution Control Plant (WPCP), the Southeast Collector Trunk Sewer, the Primary Trunk and associated facilities. The Duffin Creek WPCP is unique in that it is co-owned by York Region and Durham Region and operated/maintained by Durham Region. The co-ownership and operating agreements covering the Duffin Creek WPCP and the YDSS – Primary System create complex conditions related to the procurement, operation,

maintenance, management and renewal of infrastructure and equipment. It has become evident that due to the complexity and magnitude of the Duffin Creek WPCP and YDSS – Primary System, a Preferred Supplier Guideline is required to maintain consistency with existing equipment.

It is common practice in water and wastewater facility construction contracts to list multiple suppliers within the contract documents for the provision of a specific piece of equipment or service. This practice encourages competitive pricing while at the same time addresses the need for compatibility with existing facilities and provision of high-quality goods and services. However, when specific compatibility issues become the paramount concern, it may be necessary to name a single-source supplier. The YDSS – Primary System Preferred Supplier Guideline will enable the single-source option to be available where compatibility is paramount and in some circumstances two, three or more suppliers may be identified.

Over 400 types of equipment at Duffin Creek Water Pollution Control Plant need consideration of compatibility requirements

In relation to the Duffin Creek WPCP, there are over 400 equipment types that require compatibility. Typical examples of the types of equipment are listed in Table 1.

Table 1
 Equipment Types

| Mechanical | Electrical | Instrumentation and Control | Ancillary |
|---|---|--|--|
| <ul style="list-style-type: none"> • Bar Screens • Grit Collection • Screw Conveyors • Washers/Compactors • Aeration Equipment • Grinders • Sludge Management • Elevators • Sluice Gates • Fans • Large Pumps/Valves | <ul style="list-style-type: none"> • Drive Motors • Transformers • Breakers/Switchgear • Power Monitoring • Control Panels • Standby Generators • Actuators/Controllers/Switches | <ul style="list-style-type: none"> • Flow meters/Switches • Density meters • Variable Speed Drive Controllers • Various Switches • Analyzers • Programmable Logic Controllers • Hardware/Software | <ul style="list-style-type: none"> • Air Compressor Systems • Hydraulic Systems • Chemical Systems • Odour Control • Heating/Ventilation • Fire Control/Sprinklers • Telephone/Wireless Systems |

Guideline balances need for competitive pricing with important compatibility considerations

A Preferred Supplier Guideline will ensure that equipment and services supplied through future York Region procurement processes related to the YDSS – Primary System are completely compatible with those existing and presently used but also maintain the opportunity for competitive pricing. Over \$650 Million has been invested in the Stage 3 expansion at the Duffin Creek WPCP. All equipment supplied through this project has been procured through a competitive process. As Stages 1 and 2 are upgraded, it is paramount that the investment in Stage 3 is protected by sustaining standard equipment and realizing efficiencies through common practices, minimized training, reduced inventory requirements and a commitment to proven quality.

The Preferred Supplier Guideline for the YDSS – Primary System will act as a pilot to formalize the Environmental Services Department's water and wastewater compatibility standards in terms of existing equipment. A future report will be presented to Council in relation to a Preferred Supplier Guideline for York Region water and wastewater infrastructure.

4. ANALYSIS AND OPTIONS

York-Durham Sewage System – Primary System Preferred Supplier Guideline addresses compatibility with existing facilities

The YDSS – Primary System Preferred Supplier Guideline will address instances in future procurements whereby equipment compatibility is paramount; however, the number of units required causes the total cost of goods specified to be supplied by a single or multiple-named suppliers to be in excess of \$100,000. Without the Guideline in place, this would contravene the Purchasing Bylaw. The Guideline addresses compatibility requirements related to existing facilities while also encourages competitive pricing where applicable and creates a mechanism to allow suppliers to become named in future YDSS – Primary System procurement documents.

Preferred Supplier Guideline results in operationalized cost benefits

The Guideline is critical as it will:

- Reduce total lifecycle costs through efficiencies related to maintenance costs, training and inventory management
- Cause fewer delays in the award process due to supplier non-compliance issues
- Enable staff to move forward to specific preferred suppliers in YDSS tender documents where compatibility is paramount for facility integrity
- Reduce operator and staff training time and alleviate risk of confusion in the operation and maintenance of equipment
- Allow for common maintenance practices

- Reduce risk of YDSS facility non-compliance by ensuring consistency of equipment and associated operation practices

The Preferred Supplier Guideline will provide principles for how suppliers are selected for future contracts. York and Durham senior staff will maintain the principles of the guideline related to competitive pricing, quality equipment and compatibility. A procedure will be developed for suppliers to request inclusion and how feedback is given related to acceptance or non-acceptance.

Link to Key Council-approved Plans

Continuing to deliver and sustain critical infrastructure is a priority of the Region's 2011 to 2015 Strategic Plan. The York-Durham Sewage System – Primary System Preferred Supplier Guideline is considered critical for providing integrity in the way sewage infrastructure is implemented and managed.

5. FINANCIAL IMPLICATIONS

Current contract names more than 1200 suppliers required for compatibility

Contract documents for an existing facility upgrade at the Duffin Creek WPCP - Stages 1 & 2 Influent Pumping Station and Headworks Building Upgrade, currently being tendered, names more than 1200 suppliers or manufacturers that are integral to the design and meet “compatibility is of paramount concern” criteria. The estimated construction cost is approximately \$100 million. Under current provisions of the Purchasing Bylaw, staff must allow for the lowest cost alternative that may not be compatible with existing equipment and will lead to inefficiencies in overall management of the facility. This tender and one to be tendered and awarded in Q1 2014 would greatly benefit from application of the YDSS – Primary System Preferred Supplier Guideline.

The total estimated value of the remaining tender associated with the Duffin Creek WPCP is approximately \$175,000,000 and both contracts are required for completion by the end of 2017. The Guideline creates a mechanism that encourages fairness and competitiveness in pricing of procurements while addressing compatibility requirements in the facility and with the YDSS – Primary System. The Guideline supports procuring high-quality goods with lower overall lifecycle cost.

6. LOCAL MUNICIPAL IMPACT

Local municipalities will benefit from the YDSS – Primary System Preferred Supplier Guideline as efficiencies realized will directly lead to optimized lifecycle costs through implementation, operation, maintenance and management of equipment. Durham Region

will incur the same benefits and also optimized performance as it relates to York-Durham Owner and Operator agreement activities.

7. CONCLUSION

The YDSS – Primary System Preferred Supplier Guideline is considered critical for providing integrity in the way sewage infrastructure is implemented and managed. The Preferred Supplier Guideline addresses compatibility with existing facilities while encouraging competitive pricing where applicable. Application of the Preferred Supplier Guideline will result in operationalized cost benefits, specifically by reducing total lifecycle costs through efficiencies related to maintenance costs, training and inventory management.

It is recommended that Council authorize application of the YDSS – Primary System Preferred Supplier Guideline for procurement of goods and services specific to future works within the YDSS – Primary System in accordance with the Purchasing Bylaw.

For more information on this report, please contact Michael Rabeau, Acting Director, Capital Planning and Delivery, Environmental Services at 905-830-4444 Ext. 75157.

The Senior Management Group has reviewed this report.