Agenda - Executive Policy Committee - March 17, 2004

Report - Standing Policy Committee on Public Works - March 9, 2004

Item No. 1 Award of Contract - Lease of Self-Propelled Road Patching Machines - Tender No. 587-2003 File GL-9

STANDING COMMITTEE RECOMMENDATION:

On March 9, 2004, the Standing Policy Committee on Public Works concurred in the administrative recommendation and submits the following to Council:

1. That a contract be entered into with Cubex Limited, for the lease of Self-Propelled Road Patching Machines in the amount of $629,946.45 (M.R.S.T. and G.S.T. extra).

2. That the Manager of Materials, Corporate Finance Department, be authorized to issue a Purchase Order accordingly.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda - Executive Policy Committee - March 17, 2004

Report - Standing Policy Committee on Public Works - March 9, 2004

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On March 9, 2004, the Standing Policy Committee on Public Works concurred in the administrative recommendation and submitted the matter to Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

RE: AWARD OF TENDER 587-2003 – LEASE OF SELF-PROPELLED ROAD PATCHING MACHINES

FOR SUBMISSION TO: Standing Policy Committee on Public Works

ORIGINAL REPORT SIGNED BY: Acting Director of Public Works

REPORT DATE: March 1, 2004

RECOMMENDATION(S):

1. That a Contract be entered into with Cubex Limited, 1218 Redonda Street, Winnipeg, Manitoba, R2C 2Z2, for the Lease of Self-Propelled Road Patching Machines in the amount of $629,946.45 (M.R.S.T. & G.S.T. extra).

2. That the Manager of Materials be authorized to issue a Purchase Order accordingly.

REPORT SUMMARY:

Implications of the Recommendation(s):

General implications:
? **None**
? **For the organization overall &/or for other departments**
? **For the community and/or organizations external to the City**
x **Involves a multi-year contract**
Comment(s): None

Policy implications:
x **No**
? **Yes**
Comment(s): None

Environmental implications:
x **No**
? **Yes**
Comment(s): None

Human Resources implications:
x **No**
? **Yes**

Comment(s): None

Financial implications:

x **Within approved current and/or capital budget**

? **Current and/or capital budget adjustment required**

Comment(s):

This thirty-five (35) month, seasonal Lease Tender Contract encompasses a span of nearly 5-years commencing April 1, 2004, terminating October 31, 2008. The user Department will be funding these rental payments to the Fleet Management Agency through their existing budget.

REASON FOR THE REPORT:

As the funds for this tender are committed from future budget years, the award must be approved by Council.

DISCUSSION:

The tender closed on January 30, 2004. The requirements for Bid and Performance Security and the execution of a formal contract were waived for this purchase in accordance with the authority delegated to the Manager of Materials by the Chief Financial Officer on April 28, 1998. The tender documents pertaining to the Recommended Bidder is in order. The bid is open for acceptance until April 29, 2004.

A cost/benefit analysis was completed to determine whether to lease or purchase this equipment. During this process, FMA considered several factors:

- Present value of the lease payments vs. cost of purchasing
- Current cash flow availability
- Maintenance
- Various vender incentives

The following table clearly illustrates that a 5-year lease will save the City of Winnipeg Fleet Management Agency a total of $200,384.61 over this particular time period, and the savings over the 7-year time frame continues to be significant, totaling $156,145.66.

Purchase Option: (5 Years)		
Purchase Price	$182,000.00 per unit	
Present Value of the Purchase Option including maintenance for one unit		**$ 288,674.37**
Number of Units		3
Comparison Factor		**$ 866,023.11**
Purchase Option: (7 Years)		
Purchase Price	$182,000.00 per unit	
Present Value of the Purchase Option including maintenance for one unit		**$ 357,906.82**
Number of Units		3
Comparison Factor		**$ 1,073,720.46**
Lease Option: (5 Years)		
Monthly Lease payment	$5,999.49 per unit	
Present Value of the Lease Option including maintenance for one unit		**$ 221,879.50**
Number of Units		3
Comparison Factor		**$ 665,638.50**
Lease Option: (7 Years)		
Monthly Lease payment	$5,999.49 per unit	
Present Value of the Lease Option including maintenance for one unit		**$ 305,858.27**

Number of Units	3
Comparison Factor	**$ 917,574.81**

Cubex Limited submitted the only bid in this tender and the equipment bid meets specifications. The Fleet Management Agency has reviewed the bid with a representative of Cubex Limited and is of the opinion that they are capable of performing the work and supplying the equipment in accordance of the requirements of the specifications. It is recommended that this tender be awarded to Cubex Limited.

This tender is a seasonal Contract, i.e., 7-months per year for nearly 5-years. The lease commencement date of this tender is April 1, 2004 terminating on October 31, 2008. It should be further noted that the tender allows the City the option to extend the lease for a further 14-months over two years at the same lease rate.

The price breakdown is as follows: (M.R.S.T. & G.S.T. extra).

Item 1:
Lease of three (3) Self-Propelled Road Patching Machines
$629,946.45
as per Detailed Specifications 03047 @ $5,999.49 per month
per vehicle for 35-months (7-months/year x 5-years).

The total value of this contract over the specified period (including 7% M.R.S.T. & 3.0002% G.S.T) is $692,942.35.

Financial Impact Statement

Date: February 23, 2004

Project Name: First Year of Program 2004

Award of Tender 587-2003 - Lease of Self-Propelled Road Patching Machines

	2004	2005	2006	2007	2008
Capital					
Capital Expenditures Required					
Less: Existing Budgeted Costs					
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants					
Reserves, Equity, Surplus					
Other -					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 138,589	$ 138,589	$ 138,589	$ 138,589	$ 138,589
Less: Incremental Revenue/Recovery					
Net Cost/(Benefit)	$ 138,589	$ 138,589	$ 138,589	$ 138,589	$ 138,589
Less: Existing Budget Amounts	138,589	138,589	138,589	138,589	138,589
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

"Original signed by Cheryl Turman, CA"

Supervisor of Finance & Administration

Approved by Divisional Accountant Trainee: X

IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH, AND CONCURRENCY BY:
Legal Services Division, Corporate Services Department

THIS REPORT SUBMITTED BY:

Department:	Public Works	
Division:	Fleet Management Agency	
Prepared by:	Eugene Romaniuk	986-4181
Processed by:	Shirley Thompson	986-5346
File No.:	Tender 587-2003	